

ANNUAL FINANCIAL REPORT

of the

**CITY OF
BUNKER HILL VILLAGE, TEXAS**

For the Year Ended
December 31, 2011

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CITY OF BUNKER HILL VILLAGE, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Bunker Hill Village, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the City of Bunker Hill Village, Texas (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit of the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major funds of the City as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

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The Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 16, 2012

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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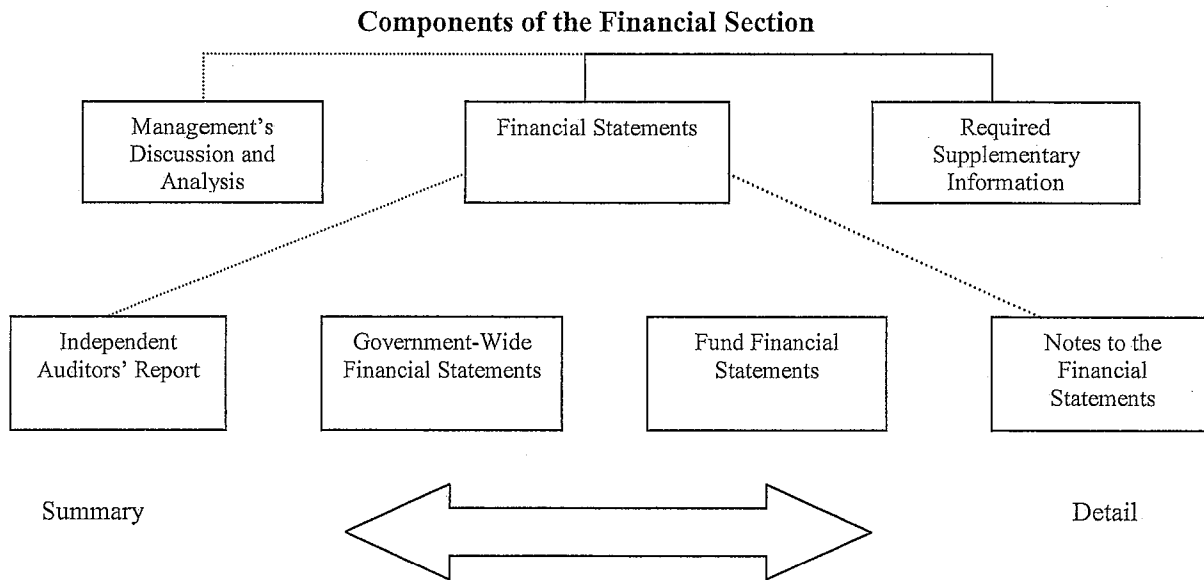
CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the City of Bunker Hill Village, Texas (the "City") for the year ended December 31, 2011. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Auditing Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as the MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Assets and the Statement of Activities report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, even if cash has not yet changed hands.

The Statement of Net Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here, which include general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise taxes, and other revenue finance most of these activities.
2. Business-Type Activities – Services involving a fee for those services are reported here. These services include the City's water, wastewater, and solid waste operations.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and the Metro fund, which are considered major funds.

The City adopts an annual appropriated budget for its general fund and Metro fund. A budgetary comparison schedule has been provided for each of these funds to demonstrate compliance with these budgets.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, wastewater, and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund, debt service fund, Metro fund and the schedule of funding progress for the Texas Municipal Retirement System.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$12,445,002 as of year end.

A significant portion of the City's net assets, 41 percent, reflects its investment in capital assets (e.g., land and City hall, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 16,699,005	\$ 2,775,860	\$ 19,474,865	\$ 7,750,556	\$ 1,977,211	\$ 9,727,767
Capital assets, net	11,669,990	4,438,174	16,108,164	11,919,874	4,580,757	16,500,631
Total Assets	28,368,995	7,214,034	35,583,029	19,670,430	6,557,968	26,228,398
Long-term liabilities	18,694,941	-	18,694,941	11,540,390	-	11,540,390
Other liabilities	4,426,243	16,843	4,443,086	3,901,879	14,269	3,916,148
Total Liabilities	23,121,184	16,843	23,138,027	15,442,269	14,269	15,456,538
Net assets:						
Invested in capital assets, net of related debt	616,095	4,438,174	5,054,269	250,526	4,580,757	4,831,283
Restricted	1,589,964	-	1,589,964	1,619,713	-	1,619,713
Unrestricted	3,041,752	2,759,017	5,800,769	2,357,922	1,962,943	4,320,865
Total Net Assets	\$ 5,247,811	\$ 7,197,191	\$ 12,445,002	\$ 4,228,161	\$ 6,543,700	\$ 10,771,861

A portion of the City's net assets, \$1,589,964, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net assets, \$5,800,769, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City improved slightly during the year primarily as a result of increased water and sewer revenues.

The City's total net assets increased by \$1,673,141 during the current fiscal year, an increase of ten percent in comparison to the prior year. The majority of the change is due to an increase in charges for services revenues, which included an increase in water usage.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

Statement of Activities

The following table provides a summary of the City's changes in net assets.

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 506,244	\$ 3,004,167	\$ 3,510,411	\$ 442,660	\$ 2,224,757	\$ 2,667,417
Operating grants	129,000	-	129,000	129,000	-	129,000
General revenues:						
Property taxes	3,629,137	-	3,629,137	3,569,622	-	3,569,622
Sales and franchise taxes	356,001	-	356,001	388,416	-	388,416
Interest	9,762	4,124	13,886	14,622	3,750	18,372
Other	31,173	5,050	36,223	73,721	-	73,721
Total Revenues	4,661,317	3,013,341	7,674,658	4,618,041	2,228,507	6,846,548
Expenses						
General government	497,733	-	497,733	515,989	-	515,989
Public safety	2,192,824	-	2,192,824	2,286,609	-	2,286,609
Public works	474,754	-	474,754	642,154	-	642,154
Interest and fees on debt	423,433	-	423,433	415,495	-	415,495
Bond issuance costs and fees	17,869	-	17,869	-	-	-
Capital outlay	35,054	-	35,054	-	-	-
Water, sewer, and waste	-	2,359,850	2,359,850	-	2,114,302	2,114,302
Total Expenses	3,641,667	2,359,850	6,001,517	3,860,247	2,114,302	5,974,549
Change in Net Assets	1,019,650	653,491	1,673,141	757,794	114,205	871,999
Beginning net assets	4,228,161	6,543,700	10,771,861	3,470,367	6,429,495	9,899,862
Ending Net Assets	\$ 5,247,811	\$ 7,197,191	\$ 12,445,002	\$ 4,228,161	\$ 6,543,700	\$ 10,771,861

Revenues for the governmental activities increased \$43,276, or 1 percent, due to increases in charges for services and property taxes. Governmental expenses reported a decrease for the year of \$218,580, or five percent, due to the City working to reduce expenses across the City.

Revenues for business-type activities increased by \$784,834, or 36 percent, primarily due to an increase in charges for services revenue. Expenses increased by \$245,548, or 11 percent, compared to the prior year due to an increased cost of sewer expenses.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$11,983,520. Of this, \$588,452 is restricted for debt service, \$0 is restricted for capital projects, and \$1,001,512 is restricted for Metro.

Overall, there was an increase in combined fund balance of \$8,159,496 in comparison to the prior year. The increase is primarily due to the issuance of General Obligation Bonds, Series 2011 in the amount of \$8,000,000.

The general fund had revenues which exceeded expenditures by \$447,632. The increase is primarily due to a decrease in expenditures for public safety and public works.

The debt service fund had revenues which exceeded expenditures by \$7,662. The increase is primarily due to a decrease in expenditures for debt service interest.

The capital projects fund had revenues which exceeded expenditures by \$7,641,046. The increase is primarily due to the issuance of General Obligation Bonds, Series 2011 in the amount of \$8,000,000.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted general fund revenues by \$19,463 during the year. This increase includes variances of \$12,374 and \$86,270 for charges for service revenues and license and permits revenues, respectively. General fund expenditures were under the final budget by \$306,582, due to positive variances of \$79,288 and \$121,466 in general government and public safety, respectively.

CAPITAL ASSETS

At the end of the year, the City's governmental activities funds had invested \$11,669,990 in capital assets and infrastructure. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

At the end of the year, the City had a total of \$18,698,044 long-term liabilities outstanding in bonds, notes, and other payables for governmental activities.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

ECONOMIC FACTORS

The City strives to offer a positive business environment through excellent public safety services, utilities and public facilities. In continuing the vision of Bunker Hill Village, the City plans to expand and improve quality infrastructure, facilities and public services to meet current and future needs. The City will implement economic development strategies to increase revenues to the City. The City continues to experience growth due to new construction and developments and will continue to focus on maintaining an even balance within City limits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to City Administrator, City of Bunker Hill Village, 11977 Memorial Drive, Houston, Texas, 77024.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 13,953,884	\$ 1,498,193	\$ 15,452,077
Investments	-	903,052	903,052
Cash with agent	184,823	-	184,823
Receivables, net	2,221,245	454,878	2,676,123
Internal balances	80,263	(80,263)	-
Deferred charges	258,790	-	258,790
Nondepreciable capital assets	24,944	9,163	34,107
Net depreciable capital assets	11,645,046	4,429,011	16,074,057
	<u>28,368,995</u>	<u>7,214,034</u>	<u>35,583,029</u>
<u>Liabilities</u>			
Accounts payable and other current liabilities	123,198	10,671	133,869
Accrued interest payable	102,988	-	102,988
Customer deposits	5,552	6,172	11,724
Unearned revenue	4,191,402	-	4,191,402
Compensated absences	3,103	-	3,103
Noncurrent liabilities:			
Long-term liabilities due within one year	1,211,466	-	1,211,466
Long-term liabilities due in more than one year	17,483,475	-	17,483,475
	<u>23,121,184</u>	<u>16,843</u>	<u>23,138,027</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	616,095	4,438,174	5,054,269
Restricted for:			
Debt service	588,452	-	588,452
Metro	1,001,512	-	1,001,512
Unrestricted	3,041,752	2,759,017	5,800,769
	<u>\$ 5,247,811</u>	<u>\$ 7,197,191</u>	<u>\$ 12,445,002</u>

See Notes to Financial Statements.

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	\$ 497,733	\$ 463,870	\$ -
Public safety	2,192,824	42,374	129,000
Public works	474,754	-	-
Interest on long-term debt	423,433		
Bond issuance costs and fees	17,869		
Capital outlay	35,054		
Total Governmental Activities	3,641,667	506,244	129,000
Business-Type Activities			
Water, sewer, and solid waste	2,359,850	3,004,167	-
Total Business-Type Activities	2,359,850	3,004,167	-
Total Primary Government	\$ 6,001,517	\$ 3,510,411	\$ 129,000

General Revenues:

Taxes:

 Property taxes

 Sales taxes

 Franchise and local taxes

Investment income

Other

Total General Revenues

Change in Net Assets

Beginning net assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (33,863)	\$ -	\$ (33,863)
(2,021,450)	-	(2,021,450)
(474,754)	-	(474,754)
(423,433)	-	(423,433)
(17,869)	-	(17,869)
(35,054)	-	(35,054)
<u>(3,006,423)</u>	<u>-</u>	<u>(3,006,423)</u>
-	644,317	644,317
-	644,317	644,317
<u>(3,006,423)</u>	<u>644,317</u>	<u>(2,362,106)</u>
3,629,137	-	3,629,137
66,363	-	66,363
289,638	-	289,638
9,762	4,124	13,886
31,173	5,050	36,223
<u>4,026,073</u>	<u>9,174</u>	<u>4,035,247</u>
1,019,650	653,491	1,673,141
4,228,161	6,543,700	10,771,861
<u>\$ 5,247,811</u>	<u>\$ 7,197,191</u>	<u>\$ 12,445,002</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2011

	General	Debt Service	Capital Projects
<u>Assets</u>			
Cash and cash equivalents	\$ 3,858,355	\$ 1,449,036	\$ 7,643,574
Restricted cash	102,132	82,691	-
Receivables, net	1,269,585	951,660	-
Due from other funds	84,198	41,411	-
Total Assets	\$ 5,314,270	\$ 2,524,798	\$ 7,643,574
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 123,198	\$ -	\$ -
Deposits	5,552	-	-
Due to other funds	41,411	-	2,528
Deferred revenue	2,391,599	1,936,346	-
Total Liabilities	2,561,760	1,936,346	2,528
<u>Fund Balances</u>			
Restricted:			
Debt service	-	588,452	-
Capital projects	-	-	7,641,046
Metro	-	-	-
Unassigned	2,752,510	-	-
Total Fund Balances	2,752,510	588,452	7,641,046
Total Liabilities and Fund Balances	\$ 5,314,270	\$ 2,524,798	\$ 7,643,574

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Nondepreciable capital assets

Depreciable capital assets

Accumulated depreciation

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Deferred revenue related to property taxes

Some liabilities, including bonds payable and accrued interest payable, are not reported as liabilities in the governmental funds.

Accrued interest payable

Deferred charges

Compensated absences

Long-term liabilities due within one year

Long-term liabilities due in more than one year

Net Assets of Governmental Activities

See Notes to Financial Statements.

<u>Metro</u>	<u>Governmental Funds</u>
\$ 1,002,919	\$ 13,953,884
-	184,823
-	2,221,245
-	125,609
<u>\$ 1,002,919</u>	<u>\$ 16,485,561</u>

\$ -	\$ 123,198
-	5,552
1,407	45,346
-	4,327,945
<u>1,407</u>	<u>4,502,041</u>

-	588,452
-	7,641,046
1,001,512	1,001,512
-	2,752,510
<u>1,001,512</u>	<u>11,983,520</u>
<u>\$ 1,002,919</u>	

24,944
15,191,087
(3,546,041)

136,543

(102,988)
258,790
(3,103)
(1,211,466)
(17,483,475)

\$ 5,247,811

CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

<u>Revenues</u>	General	Debt Service	Capital Projects
Property taxes	\$ 2,290,240	\$ 1,340,725	\$ -
Sales taxes	66,363	-	-
Charges for services	42,374	-	-
Franchise and local taxes	289,638	-	-
Fines and forfeitures	188,960	-	-
Licenses and permits	274,910	-	-
Investment income	3,467	1,305	262
Intergovernmental	-	-	-
Other	31,173	-	-
Total Revenues	3,187,125	1,342,030	262
 <u>Expenditures</u>			
Current:			
General government	454,288	-	-
Public safety	2,192,555	-	-
Public works	60,175	-	268,566
Debt Service:			
Principal	-	900,000	-
Interest and fiscal charges	-	431,868	-
Bond issuance costs and fees	-	2,500	143,999
Capital Outlay	32,475	-	-
Total Expenditures	2,739,493	1,334,368	412,565
Excess (deficiency) of			
Revenues Over (Under) Expenditures	447,632	7,662	(412,303)
 <u>Other Financing Sources</u>			
Debt issued	-	-	8,000,000
Bond premium	-	-	53,349
Total Other Financing Sources	-	-	8,053,349
Net Change in Fund Balances	447,632	7,662	7,641,046
Beginning fund balances	2,304,878	580,790	-
Ending Fund Balances	\$ 2,752,510	\$ 588,452	\$ 7,641,046

See Notes to Financial Statements.

Metro	Total Governmental Funds
\$ -	\$ 3,630,965
-	66,363
-	42,374
-	289,638
-	188,960
-	274,910
4,728	9,762
129,000	129,000
-	31,173
<u>133,728</u>	<u>4,663,145</u>
20,000	474,288
-	2,192,555
47,993	376,734
-	900,000
-	431,868
-	146,499
2,579	35,054
<u>70,572</u>	<u>4,556,998</u>
63,156	106,147
-	8,000,000
-	53,349
-	<u>8,053,349</u>
63,156	8,159,496
<u>938,356</u>	<u>3,824,024</u>
<u>\$ 1,001,512</u>	<u>\$ 11,983,520</u>

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CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$	8,159,496
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset acquisitions and retirements		271,146
Depreciation expense		(392,072)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Net change in deferred revenue		(1,828)
--------------------------------	--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid on long-term debt		900,000
Debt issued		(8,000,000)
Premium		(50,271)
Issuance costs		129,832
Refunding differences		(4,280)
Accrued interest expense		8,435

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		(808)
----------------------	--	-------

		(808)
Change in Net Assets of Governmental Activities	\$	<u>1,019,650</u>

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

December 31, 2011

	<u>Business-Type Activities Enterprise Fund</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 1,498,193
Investments	903,052
Receivables, net	454,878
Total Current Assets	<u>2,856,123</u>
Noncurrent Assets	
Capital assets:	
Land	9,163
Building	1,036,160
Infrastructure	9,275,713
Water rights	446,890
Machinery and equipment	373,251
Less accumulated depreciation	(6,703,003)
Total Net Depreciable Assets	<u>4,429,011</u>
Total Noncurrent Assets	<u>4,438,174</u>
Total Assets	<u>7,294,297</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued liabilities	10,671
Due to other funds	80,263
Customer deposits	6,172
Total Current Liabilities	<u>97,106</u>
Total Liabilities	<u>97,106</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	4,438,174
Unrestricted	2,759,017
Total Net Assets	<u>\$ 7,197,191</u>

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

For the Year Ended December 31, 2011

	Business-Type Activities Enterprise Fund
<u>Operating Revenues</u>	
Water and sewer charges	\$ 3,004,167
Investment earnings	4,124
Other	5,050
Total Operating Revenues	<u>3,013,341</u>
<u>Operating Expenses</u>	
Maintenance and operating expenses	1,961,011
Depreciation	398,839
Total Operating Expenses	<u>2,359,850</u>
Change in Net Assets	653,491
Beginning net assets	<u>6,543,700</u>
Ending Net Assets	<u>\$ 7,197,191</u>

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2011

	Business-Type Activities
	Enterprise Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,606,907
Payments to suppliers	(1,592,791)
Payments to employees	(398,411)
Net Cash Provided by Operating Activities	615,705
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(256,255)
Net Cash (Used) by Capital and Related Financing Activities	(256,255)
<u>Cash Flows from Investing Activities</u>	
Interest Received	4,124
Net Cash Provided by Noncapital Financing Activities	4,124
Net Increase in Cash and Cash Equivalents	363,574
Beginning cash and cash equivalents	1,134,619
Ending Cash and Cash Equivalents	\$ 1,498,193
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 649,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	398,839
Capital outlay	
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Investments	(403,052)
Accounts receivable	(213)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	1,619
Customer deposits	955
Due to other funds	(31,810)
Net Cash Provided by Operating Activities	\$ 615,705

See Notes to Financial Statements.

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CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bunker Hill Village, Texas (the "City") was organized in 1954. The City operates under the general laws of the State of Texas. The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services, municipal court, public works to include streets and drainage, water and sewer services, solid waste collection and disposal, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and debt service. The general fund is always considered a major fund for reporting purposes.

Special Revenue Fund

The special revenue fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is the Metro fund and is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital project fund is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital project fund is considered a major fund for reporting purposes.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as presented by GASB.

The proprietary fund type used by the City includes the following:

Enterprise Fund

The enterprise fund is used to account for the operations that provide water and wastewater collection, wastewater treatment, and sanitation operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide Statement of Net Assets and Statement of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, which is the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Government-wide and Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The Statements of Net Assets, Statements of Activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term, highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit
- Money market accounts
- Statewide investment pools

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by an assigned fund balance account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, machinery, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Property, machinery, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20-50 years
Machinery and equipment	5-10 years
Vehicles	4-20 years
Water and sewer system	20-65 years
Infrastructure	50-65 years

5. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest is reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendables available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. Bond premiums, discounts, and issuance costs for proprietary fund types are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is recorded in the general and debt service fund. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the general and debt service fund.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

7. Fund Equity

Fund balances of governmental funds are classified as follows:

Nonspendable fund balance — represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance — represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed fund balance — represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned fund balance — represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assignments can be made at any time.

Unassigned fund balance — represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed, then assigned funds, and, finally, unassigned funds.

The City Council is the government's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the municipal code of general law is the object and purpose stated in the approved budget. The final amended budget is used in this report. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of December 31, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 8,059,327	0.20
Total Investments	\$ 8,059,327	

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities and/or FDIC insurance with a collective market value of at least 102 percent. As of year end, market values of pledged securities and FDIC insurance exceeded bank balances.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Property taxes	\$ 1,198,831	\$ 951,660	\$ -	\$ 2,150,491
Sales taxes	10,540	-	-	10,540
Accounts	-	-	460,547	460,547
Franchise fees	59,555	-	-	59,555
Other	704	-	1,186	1,890
Less allowance	-	-	(6,855)	(6,855)
Totals	\$ 1,269,630	\$ 951,660	\$ 454,878	\$ 2,676,168

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

C. Capital Assets

A summary of changes in capital assets for the year is as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 24,944	\$ -	\$ -	\$ 24,944
Total capital assets, not being depreciated	<u>24,944</u>	<u>-</u>	<u>-</u>	<u>24,944</u>
Other capital assets:				
Infrastructure	14,366,447	271,146	-	14,637,593
Buildings	399,685	-	-	399,685
Vehicles and equipment	153,809	-	-	153,809
Total other capital assets	<u>14,919,941</u>	<u>271,146</u>	<u>-</u>	<u>15,191,087</u>
Less accumulated depreciation for:				
Infrastructure	(2,955,983)	(368,896)	-	(3,324,879)
Buildings	(84,411)	(8,669)	-	(93,080)
Vehicles and equipment	(113,575)	(14,507)	-	(128,082)
Total accumulated depreciation	<u>(3,153,969)</u>	<u>(392,072)</u>	<u>-</u>	<u>(3,546,041)</u>
Other capital assets, net	<u>11,765,972</u>	<u>(120,926)</u>	<u>-</u>	<u>11,645,046</u>
Totals	<u>\$ 11,790,916</u>	<u>\$ (120,926)</u>	<u>\$ -</u>	<u>\$ 11,669,990</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 23,176
Public works	368,896
Total Governmental Activities Depreciation Expense	<u>\$ 392,072</u>

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

The following is a summary of changes in capital assets for business-type activities for the year:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 9,163	\$ -	\$ -	\$ 9,163
Total capital assets, not being depreciated	9,163	-	-	9,163
Other capital assets:				
Buildings	1,036,160	-	-	1,036,160
Water rights	446,890	-	-	446,890
Machinery and equipment	358,202	15,049	-	373,251
Infrastructure	9,034,506	241,207	-	9,275,713
Total other capital assets	10,875,758	256,256	-	11,132,014
Less accumulated depreciation for:				
Buildings	(984,697)	(3,997)	-	(988,694)
Water rights	(446,890)	-	-	(446,890)
Machinery and equipment	(145,736)	(19,574)	-	(165,310)
Infrastructure	(4,726,841)	(375,268)	-	(5,102,109)
Total accumulated depreciation	(6,304,164)	(398,839)	-	(6,703,003)
Other capital assets, net	4,571,594	(142,583)	-	4,429,011
Totals	\$ 4,580,757	\$ (142,583)	\$ -	\$ 4,438,174

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 398,839
Total Business-Type Activities Depreciation Expense	\$ 398,839

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

D. Long-Term Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year.

	<u>Original Balance</u>	<u>Beginning Balance</u>	<u>Additions/ Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds, notes and other payables:					
Certificates of obligation	\$ 7,390,000	\$ 7,025,000	\$ (385,000)	\$ 6,640,000	\$ 405,000
General obligation bonds	13,030,000	4,525,000	7,485,000	12,010,000	805,000
Premium	27,704	24,626	50,271	74,897	5,746
Refunding differences	(38,516)	(34,236)	4,280	(29,956)	(4,280)
Compensated absences	-	2,295	808	3,103	2,793
Total Governmental Activities	<u>\$ 20,409,188</u>	<u>\$ 11,542,685</u>	<u>\$ 7,155,359</u>	<u>\$ 18,698,044</u>	<u>\$ 1,214,259</u>

Long-term debt due in more than one year \$ 17,483,785

***Debt associated with governmental activity capital assets** \$ 18,694,941

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
Certificates of Obligation		
Series 2002	4.00-4.65%	\$ 4,140,000
Series 2005	3.50-5.50%	2,500,000
Total Certificates of Obligation		6,640,000
 General Obligation Bonds		
Series 2009	2.00-3.38%	4,010,000
Series 2011	2.00-4.00%	8,000,000
Total General Obligation Bonds		12,010,000
 Total Governmental Activities Long-Term Debt		\$ 18,650,000

The annual requirements to amortize bond and certificate debt issues outstanding at year ending were as follows:

Ending Dec 31	<u>Governmental Activity</u>		
	Principal	Interest	Total
2012	1,210,000	657,223	1,867,223
2013	1,280,000	590,724	1,870,724
2014	1,325,000	551,926	1,876,926
2015	1,370,000	510,265	1,880,265
2016	1,420,000	465,036	1,885,036
2017-2021	5,920,000	1,636,308	7,556,308
2022-2026	3,630,000	764,439	4,394,439
2027-2031	2,495,000	248,322	2,743,322
Total	\$ 18,650,000	\$ 5,424,243	\$ 24,074,243

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City also issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City is not obligated in any manner for special assessment debt.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

E. Interfund Transactions

The composition of interfund balances as of year end was as follows:

<u>Receivables Fund</u>	<u>Payables Fund</u>	<u>Amounts</u>
General Fund	Water and Sewer Fund	\$ 80,263
General Fund	Metro Fund	1,407
General Fund	Capital Projects Fund	2,528
Debt Service Fund	General Fund	41,411
		<u>\$ 125,609</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City is a member of the Texas Municipal League Workers' Compensation Intergovernmental Risk Pool (the "TML Pool"), which is not intended to operate as an insurance company, but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The TML Pool contracts with a third party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

It was determined some years ago that 105 addresses in the City of Bunker Hill Village were connected and being serviced by the City of Houston for wastewater. It was also determined at that time 15 addresses in the City of Houston were connected and being serviced by the City of Bunker Hill Village. Both parties agreed to service said wastewater as subject to the terms and conditions outlined in the Waste Disposal Contract dated April 10, 2002. At this time, the parties have not determined the financial ramifications of the situation described above.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and RSI for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

	2011	2010
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2009 valuation is effective for rates beginning January 2011). The annual pension cost and the net pension obligation (asset) are as follows:

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Net Pension Obligation (NPO)			
at the Beginning of Period	\$	-	
Annual Req. Contrib. (ARC)		55,527	
Contributions Made		55,527	
NPO at the End of Period	\$	-	

Three-year trend information for the annual pension cost (APC) is as follows:

	2011	2010	2009
Annual Req. Contributions	\$ 55,527	\$ 59,386	\$ 35,553
Actual Contribution Made	\$ 55,527	\$ 59,386	\$ 35,553
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2009 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	2011	2011	2010	2009
Actuarial Valuation Date	12/31/2010- Restructured	12/31/2010 - Prior to Restructuring	12/31/2009	12/31/2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	25 Years - Closed period	29 Years - Closed period	29 Years - Closed period	29 Years - Closed period
Amortization Period for New Gains/Losses	25 Years	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	Amortized cost
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.00%	0.00%	0.00%	2.10%

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Annual Financial Report.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

The funded status as of December 31, 2010, under the two separate actuarial valuations is presented as follows:

	2011	2011
	12/31/2010 ¹	12/31/2010 ²
Actuarial Valuation Date	12/31/2010 ¹	12/31/2010 ²
Actuarial Value of Assets	\$ 1,599,267	\$ 2,051,725
Actuarial Accrued Liability	\$ 1,653,650	\$ 2,032,675
Percentage Funded	96.71%	100.94%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 54,383	\$ (19,050)
Annual Covered Payroll	\$ 511,296	\$ 511,296
UAAL as a Percentage of Covered Payroll	10.64%	-3.73%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

TMRS - Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death), retired employees are insured for \$7,500 and this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended December 31, 2011, the City offered the supplemental death benefit to both active and retired employees.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year, the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the fiscal years ended 2011, 2010, and 2009 were \$2,366, \$2,074, and \$2,033, respectively, which equaled the required contributions each year. The retiree-only portion of the rate for the past three years is shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Req. Contributions	\$ 55,527	\$ 59,386	\$ 35,553
Actual Contribution Made	\$ 55,527	\$ 59,386	\$ 35,553
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

F. Agreement with Metro and Harris County

On July 1, 1999, the City entered into a Congestion Mitigation/Traffic Management Agreement with the Metropolitan Transit Authority of Harris County (Metro). Under the terms of the agreement, as amended in October of 2004, Metro is to provide the City annual funding of \$129,000 for eligible transportation projects through December 31, 2014.

G. Interlocal Agreement for Water Conservation Credits

In 1995, the City entered into an interlocal agreement with the Harris-Galveston Coastal Subsidence District (the "District") for the purpose of sponsoring the establishment of water conservation goals, guidelines, and plans to be used within the District. Under this agreement, the District provides school curriculum kits and in-service training to teachers, as well as provides all support functions for the program to certain schools. The City pays the District \$34.50 for each student sponsored. The City receives a water conservation credit equal to 84,000 gallons of groundwater for each student sponsored. The City may hold, transfer, sell or redeem the credits at any time. Groundwater credits earned through July 2001 have a lifespan of 40 years. Beginning with the 2001-2002 school year, the District issued a new series of groundwater certificates that will have a lifespan of 20 years and can only be applied to a maximum of 30 percent of a permittee's total water demand. At year end, the City has a total of 1,306,576,000 gallons of credit for use under this agreement.

H. Related Organizations and Joint Ventures

Memorial Village Police Department – Health Insurance Benefits

In November 2006, the City entered into an insurance agreement (the "Agreement") by and between the Memorial Village Police Department (the "Department") and the City of Piney Point Village to collectively seek health and related ancillary benefits for each entity's employees with the Department serving as the administrator. Under the terms of the Agreement, each party is responsible for the monthly premiums covering that entity's employees.

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Memorial Villages Water Authority

In July 1985, the City entered into a waste disposal agreement with Memorial Villages Water Authority (the "Authority"). As part of this agreement, the City paid 18.2 percent of the cost of construction for the wastewater treatment plant of the Authority.

Village Fire Department

The City has entered into an interlocal agreement (the "Agreement") with the cities of Hunters Creek Village, Hedwig Village, Hilshire Village, Piney Point Village and Spring Valley Village to create the Village Fire Department ("VFD"). The Agreement automatically renews for a period of five years unless terminated by at least one of the contracting cities. Under the terms of the Agreement, the City is liable for 19 percent of the VFD's budget. Consolidated financial information of the VFD extracted from its audited financial statement for the year ended December 31, 2010, on which their auditors expressed an unqualified opinion, is as follows:

	VFD Total		City's Portion (19%)	
	Net Assets	Balance Sheet	Net Assets	Balance Sheet
Total assets	\$ 2,262,637	\$ 637,723	\$ 429,901	\$ 121,167
Total liabilities	601,369	67,231	114,260	12,774
Total participants' equity	\$ 1,661,268	\$ 570,492	\$ 315,641	\$ 108,393
	Change in Net Assets	Revenues and Expenditures	Change in Net Assets	Revenues and Expenditures
Total revenues	\$ 5,338,959	\$ 5,338,959	\$ 1,014,402	\$ 1,014,402
Total expenditures/expenses	5,183,893	5,012,342	984,940	952,345
Revenues over expenditures/expenses	155,066	326,617	29,463	62,057
Surplus refund to cities	(113,698)	(113,698)	(21,603)	(21,603)
Beginning participants' equity	1,619,900	357,573	250,526	4,580,757
Ending participants' equity	\$ 1,661,268	\$ 570,492	\$ 258,386	\$ 4,621,212
Unfunded actuarial accrued liability at 12/31/10 with TMRS	\$ 840,595		\$ 159,713	

CITY OF BUNKER HILL VILLAGE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

Memorial Village Police Department

The City has also entered into an interlocal agreement with the cities of Piney Point Village and Hunters Creek Village to create the Memorial Village Police Department ("MVPD"). Under the terms of the agreement, the City is liable for 33 percent of the MVPD's budget.

Consolidated financial information of the MVPD extracted from the its audited financial statement for the year ended December 31, 2010, on which their auditors expressed an unqualified opinion, is as follows:

	<u>MVPD Total</u>		<u>City's Portion (33%)</u>	
	<u>Net Assets</u>	<u>Balance Sheet</u>	<u>Net Assets</u>	<u>Balance Sheet</u>
Total assets	\$ 2,176,286	\$ 459,394	\$ 718,174	\$ 151,600
Total liabilities	622,763	245,866	205,512	81,136
Total participants' equity	<u>\$ 1,553,523</u>	<u>\$ 213,528</u>	<u>\$ 512,663</u>	<u>\$ 70,464</u>
	Change in	Revenues and	Change in	Revenues and
	<u>Net Assets</u>	<u>Expenditures</u>	<u>Net Assets</u>	<u>Expenditures</u>
Total revenues	\$ 3,941,299	\$ 3,831,239	\$ 1,300,629	\$ 1,264,309
Total expenditures/expenses	4,246,045	3,912,077	1,401,195	1,290,985
Revenues over expenditures/expenses	(304,746)	(80,838)	(100,566)	(26,677)
Proceeds from sale of assets	11,700	11,700	3,861	3,861
Beginning participants' equity	1,846,569	282,666	580,939	90,903
Ending participants' equity	<u>\$ 1,553,523</u>	<u>\$ 213,528</u>	<u>\$ 484,234</u>	<u>\$ 68,087</u>
Unfunded actuarial accrued liability at 12/31/10 with TMRS	\$ 2,319,453		\$ 765,419	

I. Subsequent Events

On November 15, 2011, the City Council adopted an ordinance authorizing and ordering the issuance, sale, and delivery of General Obligation Refunding Bonds, Series 2012. On January 4, 2012, the City issued \$3,675,000 in General Obligation Refunding Bonds, Series 2012, issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207 of the Texas Government Code, as amended, to issue bonds for the purpose of refunding its outstanding obligations.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2011

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 2,286,634	\$ 2,286,634	\$ 2,290,240	\$ 3,606
Sales taxes	65,630	65,630	66,363	733
Charges for services	30,000	30,000	42,374	12,374
Franchise and local taxes	315,880	315,880	289,638	(26,242)
Fines and forfeitures	174,210	174,510	188,960	14,450
Licenses and permits	193,580	188,640	274,910	86,270
Investment income	9,000	9,000	3,467	(5,533)
Other	32,654	37,294	31,173	(6,121)
Total Revenues	<u>3,107,588</u>	<u>3,206,588</u>	<u>3,187,125</u>	<u>(19,463)</u>
Expenditures				
General government	521,536	533,576	454,288	79,288
Public safety	2,327,261	2,314,021	2,192,555	121,466
Public works	95,000	96,200	60,175	36,025
Capital outlay	80,483	102,278	32,475	69,803
Total Expenditures	<u>3,024,280</u>	<u>3,046,075</u>	<u>2,739,493</u>	<u>306,582</u>
Net Change in Fund Balance	<u>\$ 83,308</u>	<u>\$ 160,513</u>	447,632	<u>\$ 287,119</u>
Beginning fund balance			<u>2,304,878</u>	
		Ending Fund Balance	<u>\$ 2,752,510</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
METRO FUND

For the Year Ended December 31, 2011

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 129,000	\$ 129,000	\$ 129,000	\$ -
Interest on investments	3,000	3,000	4,728	1,728
Total Revenues	132,000	132,000	133,728	1,728
Expenditures				
General government	20,000	20,000	20,000	-
Public works	72,110	72,110	47,993	24,117
Capital outlay	-	2,579	2,579	-
Total Expenditures	92,110	94,689	70,572	24,117
Excess of Revenues Over Expenditures	39,890	37,311	63,156	25,845
Net Change in Fund Balance	\$ 39,890	\$ 37,311	63,156	\$ 25,845
Beginning fund balance			938,356	
Ending Fund Balance			\$ 1,001,512	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF BUNKER HILL VILLAGE, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2011

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Fiscal Year	2011(2)	2011(1)	2010	2009
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2009	12/31/2008
Actuarial Value of Assets	\$ 2,051,725	\$ 1,599,267	\$ 1,426,002	\$ 1,555,624
Actuarial Accrued Liability	\$ 2,032,675	\$ 1,653,650	\$ 1,459,046	\$ 1,830,441
Percentage Funded	100.94%	96.71%	97.74%	84.99%
Unfunded Actuarial				
Accrued Liability	\$ (19,050)	\$ 54,383	\$ 33,044	\$ 274,817
Annual Covered Payroll	\$ 511,296	\$ 511,296	\$ 491,020	\$ 481,208
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	-3.73%	10.64%	6.73%	57.11%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	55,527	55,527	59,386	35,553
Contributions Made	55,527	55,527	59,386	35,553
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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