



City of
Spring Valley Village *Texas*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING

SEPTEMBER 30, 2016



***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

**CITY OF SPRING
VALLEY VILLAGE, TEXAS**

**For the Year Ended
September 30, 2016**

Prepared by:

**Stephen Ashley, CEcD
City Administrator**

**Michelle Yi
City Treasurer**

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CITY OF SPRING VALLEY VILLAGE, TEXAS

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INTRODUCTORY SECTION

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CITY OF SPRING VALLEY VILLAGE

March 22, 2017

The Honorable Mayor, City Council
Members, and Citizens of the
City of Spring Valley Village, Texas:

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Spring Valley Village, Texas (the “City”) for the fiscal year ended September 30, 2016. This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

We believe the data presented is accurate in all material respects and is organized in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activities have been included.

Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended September 30, 2016. The independent auditors’ report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Spring Valley Village, Texas (the “City”) was incorporated under the laws of State of Texas in 1955. The City operates as a “General Law” City, which provides for a “Mayor-Council” form of government.

The City provides the following municipal services: public safety, highways and streets, sanitation, water and sewer services, 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. Spring Valley Village is one of the six Memorial Villages and is located ten miles west of downtown Houston. As of September 30, 2016, the City has a land area of 1.6 square miles and an estimated population of approximately 4,191. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City’s accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the

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services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

The City Ordinance establishes the fiscal year as October 1 through September 30. The Ordinance requires the City Administrator to submit a proposed budget and accompanying budget message to the Council each year. The proposed budget is reviewed by the Council and is formally adopted by the passage of a budget ordinance. The City Administrator is required to inform the Council and obtain Council approval for any revisions of expenditures of any fund or department.

Budgetary control has been established at the department level. Monthly financial reports for the Council are produced showing budget and actual revenues and expenditures. Individual line items are reviewed and analyzed for budgetary compliance.

ECONOMIC CONDITION AND OUTLOOK

The City encompasses a 1.6 square mile area located along the north side of Interstate 10, approximately ten miles west of downtown Houston, Texas. The City is an integral part of the Houston metropolitan area and is completely surrounded by the cities of Houston, Hilshire Village, Hedwig Village, and Hunters Creek Village. The City is primarily a residential area whose approximately 4,191 inhabitants are employed throughout the Houston urban area.

There is very little vacant and/or undeveloped land in the City, so construction generally involves rebuilding and remodeling. Currently, there are two building projects completed and fully occupied. The City continues to enjoy a stable outlook with property taxable values at \$978,676,056, up 13% over the previous year. Among reasons for this strength is the City's convenient proximity to the Energy Corridor and downtown Houston, as well as the ever-evolving Memorial area.

The City's tax rate is among the lowest in the Houston area and is projected to remain relatively stable into the future due to projected stability in taxable values, the political stability of the community, and the underlying strength in the Greater Houston area economy.

The City's relative stability is the result of a desire for suburban families to live closer to work. The City's low crime rate and hometown appeal have attracted many of these families. These factors have contributed, and continue to contribute, to the relative stability of property values in the City.

The value of real property in the City is expected to stay strong in 2017. Expenditures are expected to remain steady with considerations for the continued competitive pressure on personnel costs and potential increases in the cost of employee health benefits.

LONG-TERM FINANCIAL PLANNING

Capital improvement projects are funded with general governmental revenues. The City annually adopts a Five-Year Capital Improvement Plan and regularly prepares short-term improvement plans for water, wastewater, drainage, municipal facilities, and parks. The plans require funding sources to be identified for each project.

For the last several years, the City has been able to maintain its infrastructure on a cash basis. A portion of general fund revenues is allocated to the Capital Improvement Fund each year. The City government is using new financial resources by including the issuance of general obligation and revenue bonds to rehabilitate the paving, water connection with City of Houston, waterlines, sanitary sewer line rehabilitation, and new city hall and police station.

The City approved a decrease of \$0.037843 in property tax rate from \$0.487843 to \$0.45. The decrease is the result of efficient use of Maintenance funds & Operation funds and the increase in property taxable value. The tax rate for tax year 2016, fiscal year 2017, was again reduced by \$0.0165 to \$0.4335 mainly due to increased property values.

Major Initiatives

Fiscal year 2015-2016 was a year of accomplishments for the City of Spring Valley Village. The list below highlights some of the significant City activities:

- The City closed out the surface water connection project with City of Houston. This initiative allows the City to comply with the Ground Water Reduction Plan and secures reliable secondary source of water for the City.
- The Spring Oak East and West General Obligation Bond project was designed, bid, and is under construction. The project is scheduled to be completed in August 2017.
- The New City Hall and Police Department are under construction. The new facilities are scheduled to be completed in May 2017.
- The City completed total reconstruction of Lanell Lane, Cedardale Drive, Cedarbrook Drive, and Lupton Court.

The City also made strategic acquisitions of equipment and installed new traffic signals to better serve our residents and visitors.

Annual Budget

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Administrator each year. The City Administrator uses these requests as the starting point for developing a proposed budget, which is presented to the City Council for review. The appropriated budget is prepared by fund, department, and function. Department heads may request a budget amendment with approval of the City Council.

Financial Information

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable but not absolute assurance that these objectives are met.

Independent Audit

Sections 103.001-103.004 of the Local Government Code require the City to have an annual audit of its financial records and accounts. The independent auditors' report, prepared by Belt Harris Pechacek, LLLP, is presented as the first component of the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Spring Valley Village for its CAFR for the year ended September 30, 2015. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the second year that the City has received this

prestigious award. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for compliance review.

ACKNOWLEDGEMENTS

The preparation of this CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. Appreciation is expressed to all City employees throughout the organization, especially to those who were instrumental in the successful completion of this report. Additionally, I would also like to thank the Mayor, Council, and City Administrator for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michelle Yi".

Michelle Yi

City Treasurer

CITY OF SPRING VALLEY VILLAGE, TEXAS

LIST OF ELECTED OFFICIALS AND KEY STAFF

For the Year Ended September 30, 2016

Elected Officials	Position
Tom S. Ramsey	Mayor
Bo Bothe	Council Member
Allen Carpenter	Council Member
Trey Moeller	Council Member
Aaron Stai	Council Member
Marcus Vajdos	Council Member

Key Staff	Position
Stephen Ashley	City Administrator
Roxanne Benitez	City Secretary
Michelle Yi	City Treasurer
Erik Tschanz	Director of Public Works
Loyd R. Evans	Chief of Police

CITY OF SPRING VALLEY VILLAGE, TEXAS
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Spring Valley Village
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

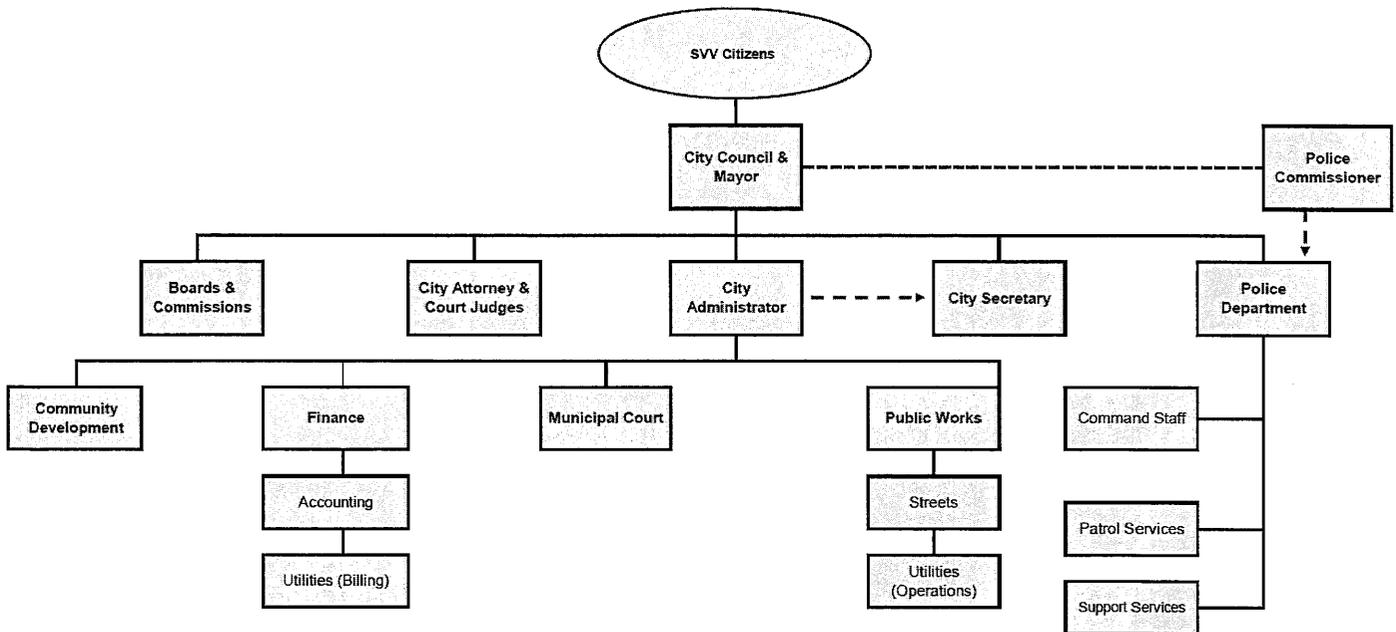
A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF SPRING VALLEY VILLAGE, TEXAS

ORGANIZATIONAL CHART

For the Year Ended September 30, 2016



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Spring Valley Village, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Spring Valley Village, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 each major fund of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 22, 2017

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF SPRING VALLEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

The Statement of Net Position and the Statement of Activities divide the City's financials 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. 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.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate corporation, the Spring Valley Legacy Fund Inc., for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

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 five governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, which are considered to be major funds for reporting purposes. The debt service fund, asset forfeiture fund and legacy fund are nonmajor funds but the City has elected to present them as major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. An annual appropriated budget was adopted for the debt service fund for the fiscal year ending September 30, 2017.

CITY OF SPRING VALLEY VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2016

Proprietary Funds

The City maintains two types of proprietary funds. 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. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for its equipment replacement program. This internal service fund has been included within governmental activities in the governmental-wide financial statements.

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 are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and a schedule of changes in net pension liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows exceed liabilities and deferred inflows by \$42,814,799 as of September 30, 2016. The largest portion of the City's net position (77%) reflects its investment in capital assets (e.g., land and City hall, as well as the public works facilities). 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 SPRING VALLEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 20,584,206	\$ 1,265,992	\$ 21,850,198	\$ 24,535,878	\$ 1,328,059	\$ 25,863,937
Capital assets, net	30,721,845	8,145,964	38,867,809	25,854,779	8,506,252	34,361,031
Total Assets	<u>51,306,051</u>	<u>9,411,956</u>	<u>60,718,007</u>	<u>50,390,657</u>	<u>9,834,311</u>	<u>60,224,968</u>
Deferred outflows - pensions	770,904	150,249	921,153	176,107	33,324	209,431
Total Deferred Outflows of Resources	<u>770,904</u>	<u>150,249</u>	<u>921,153</u>	<u>176,107</u>	<u>33,324</u>	<u>209,431</u>
Long-term liabilities	13,834,220	2,776,072	16,610,292	13,698,614	2,848,965	16,547,579
Other liabilities	1,776,326	412,315	2,188,641	1,356,429	541,608	1,898,037
Total Liabilities	<u>15,610,546</u>	<u>3,188,387</u>	<u>18,798,933</u>	<u>15,055,043</u>	<u>3,390,573</u>	<u>18,445,616</u>
Deferred inflows - pensions	21,382	4,046	25,428	31,357	5,934	37,291
Total Deferred Inflows of Resources	<u>21,382</u>	<u>4,046</u>	<u>25,428</u>	<u>31,357</u>	<u>5,934</u>	<u>37,291</u>
Net Position:						
Net investment in capital assets	26,621,889	6,446,443	33,068,332	25,354,855	6,429,975	31,784,830
Restricted	160,271	965,480	1,125,751	154,588	1,004,614	1,159,202
Unrestricted	9,662,867	(1,042,151)	8,620,716	9,970,921	(963,461)	9,007,460
Total Net Position	<u>\$ 36,445,027</u>	<u>\$ 6,369,772</u>	<u>\$ 42,814,799</u>	<u>\$ 35,480,364</u>	<u>\$ 6,471,128</u>	<u>\$ 41,951,492</u>

A portion of the City's net position, \$1,125,751, represents resources restricted to a specific purpose. The balance of unrestricted net position, \$8,620,716, may be used to meet the City's ongoing obligation to citizens and creditors. The City's total net position increased by \$863,307 during the current fiscal year, an increase of 2% over the prior year. The overall condition of the City improved during the year primarily due to increases in revenue from all governmental activity sources.

CITY OF SPRING VALLEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Activities:

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

	<u>For the Year Ended September 30, 2016</u>			<u>For the Year Ended September 30, 2015</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
			<u>Primary</u>			<u>Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,204,115	\$ 2,720,856	\$ 3,924,971	\$ 1,530,990	\$ 2,708,075	\$ 4,239,065
Operating grants	661,046	-	661,046	438,493	-	438,493
General revenues:						
Property taxes	4,402,210	-	4,402,210	4,245,518	-	4,245,518
Sales taxes	1,197,292	-	1,197,292	1,191,356	-	1,191,356
Franchise and local taxes	353,381	-	353,381	339,321	-	339,321
Interest	30,566	-	30,566	21,502	-	21,502
Other	136,207	26,066	162,273	136,451	89	136,540
Total Revenues	<u>7,984,817</u>	<u>2,746,922</u>	<u>10,731,739</u>	<u>7,903,631</u>	<u>2,708,164</u>	<u>10,611,795</u>
Expenses						
General government	800,723	-	800,723	1,247,843	-	1,247,843
Public safety	3,880,246	-	3,880,246	3,036,137	-	3,036,137
Public works	1,906,985	-	1,906,985	1,354,685	-	1,354,685
Interest and fees on debt	432,200	71,644	503,844	337,430	78,357	415,787
Water, sewer, and waste	-	2,776,634	2,776,634	-	2,535,800	2,535,800
Total Expenses	<u>7,020,154</u>	<u>2,848,278</u>	<u>9,868,432</u>	<u>5,976,095</u>	<u>2,614,157</u>	<u>8,590,252</u>
Increase (Decrease) in Net Position Before Transfers	964,663	(101,356)	863,307	1,927,536	94,007	2,021,543
Transfers in (out)	-	-	-	75,000	(75,000)	-
Change in Net Position	964,663	(101,356)	863,307	2,002,536	19,007	2,021,543
Beginning net position	35,480,364	6,471,128	41,951,492	33,477,828	6,452,121	39,929,949
Ending Net Position	<u>\$ 36,445,027</u>	<u>\$ 6,369,772</u>	<u>\$ 42,814,799</u>	<u>\$ 35,480,364</u>	<u>\$ 6,471,128</u>	<u>\$ 41,951,492</u>

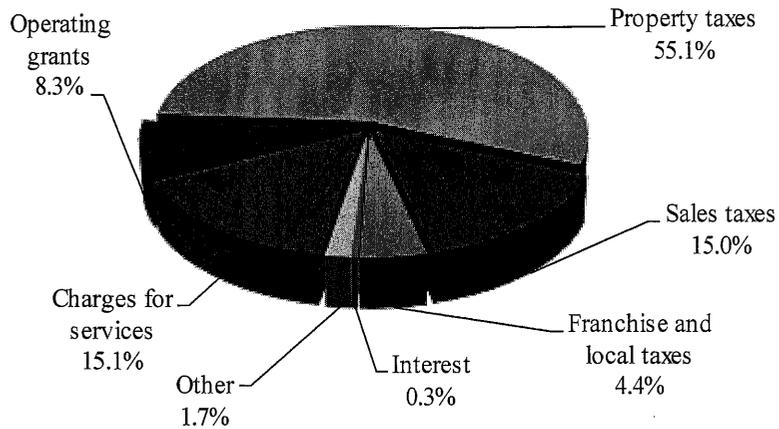
CITY OF SPRING VALLEY VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

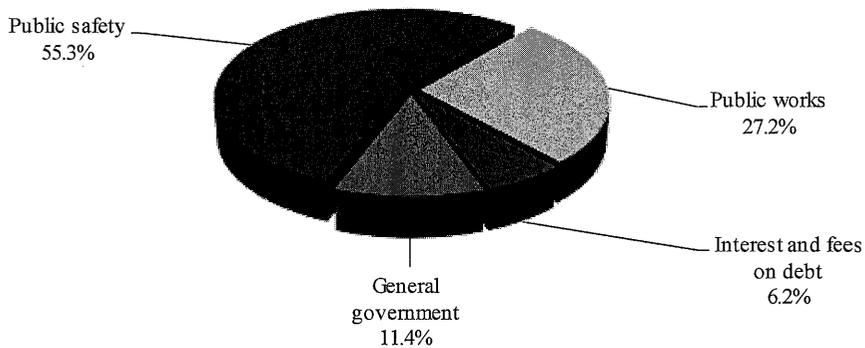
For the Year Ended September 30, 2016

Graphic presentations of the selected data from the summary tables follow to assist in the analysis of the City's activities.

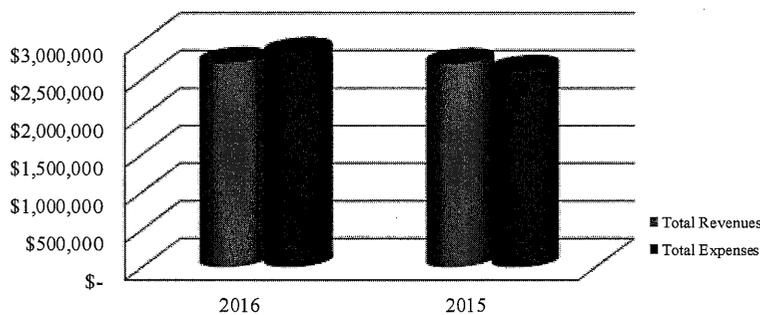
Governmental Revenues



Governmental Expenses



Business-Type Activities



CITY OF SPRING VALLEY VILLAGE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2016

Charges for services decreased \$326,875 or 21% due primarily to a decrease in court fine and fees. Property tax revenue increased by \$156,692 or roughly 3.7% due to an increase in property tax values and increased collections from delinquent property taxes. Operating grants increased significantly due to an increase in revenue allocated from METRO. Governmental expenses increased \$1,044,059 or 17% due primarily to interest expense. Public safety expenses increased \$844,109 or 28% due to an increase in personnel expenses and vehicle maintenance expenses.

Revenues for business-type activities increased by \$38,758 or 1.4% from the prior year due to customers consuming more water. Business-type expenses increased by \$234,121 or 8.9% mainly due to the repair for water well.

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 on 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 \$17,328,849. At the end of the current year, \$5,618,820 was unassigned and \$2,452,277 was assigned for capital outlay of equipment and capital improvements. Total restricted fund balance for future capital projects and other various purposes was \$9,238,756 and \$870 was nonspendable for prepaid purposes.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$5,618,820, while total fund balance reached \$6,104,103. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 13 months of the general fund's expenditures. The general fund fund balance demonstrated an overall increase of \$695,537 primarily due to an increase in revenue from sales taxes, operating grants, and charges for services.

The City's debt service fund was implemented during the current fiscal year and has a deficit fund balance of \$(882). The debt service fund will collect property tax revenue to pay down debt principal and interest in subsequent years.

Overall, there was a decrease in the capital improvements fund balance of \$5,026,362 due primarily to the capital projects expenditures.

The asset forfeiture fund had a fund balance of \$17,881 which was a decrease of \$10,299 from the prior year due to the expenditure for public safety.

The legacy fund had a fund balance of \$18,126 primarily due to the donation received.

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

CITY OF SPRING VALLEY VILLAGE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded budgeted revenues by \$312,766 during the year. This net positive variance includes the positive variance of \$129,742 for property taxes due to an increase in total taxable property value. General fund expenditures were under the final budget by \$523,547 mainly due to a positive variance of \$253,576 and \$119,994 for general government and police expenditures, respectively. These positive variances are a result of incurring less cost for contract labor, utility, and maintenance and repairs.

CAPITAL ASSETS

At the end of the year, the City's governmental activities funds had invested \$30,721,845 in capital assets and infrastructure (net of accumulated depreciation). This represents an increase of \$4,867,066 from the prior year.

Major capital asset events during the year included the following:

- City Hall and Police Station of \$1,780,298.
- Spring Oak East and West paving project of \$2,226,132.
- Bracher road improvement project of \$1,731,011.
- Purchase of three new police vehicles for \$167,442.

More detailed information about the City's capital assets is presented in note III C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of \$15,740,000. Of this amount, \$13,075,000 was general obligation debt and \$2,665,000 was revenue bond debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved of a \$8.07 million budget for the 2016/2017 year. The property tax rate for 2016 decreased to \$0.433500.

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 Michelle Yi, City Treasurer, City Hall, 1025 Campbell Road, Houston, Texas, 77055; telephone (713) 465-8308.

BASIC FINANCIAL STATEMENTS

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CITY OF SPRING VALLEY VILLAGE, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$ 19,154,467	\$ 88,451	\$ 19,242,918
Restricted	119,499	965,480	1,084,979
Investments	961,740	-	961,740
Receivables, net	258,150	301,541	559,691
Internal balances	89,480	(89,480)	-
Prepaid items	870	-	870
	20,584,206	1,265,992	21,850,198
Noncurrent assets:			
Nondepreciable capital assets	9,784,983	1,040,997	10,825,980
Net depreciable capital assets	20,936,862	7,104,967	28,041,829
	30,721,845	8,145,964	38,867,809
Total Assets	51,306,051	9,411,956	60,718,007
Deferred Outflows of Resource			
Deferred outflows - pensions	770,904	150,249	921,153
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,553,508	260,224	1,813,732
Accrued interests	153,476	8,761	162,237
Customer deposits	69,342	143,330	212,672
Long-term liabilities due within one year	593,851	182,715	776,566
	2,370,177	595,030	2,965,207
Noncurrent liabilities:			
Net pension liability	539,005	101,995	641,000
Long-term liabilities due in more than one year	12,701,364	2,491,362	15,192,726
	13,240,369	2,593,357	15,833,726
Total Liabilities	15,610,546	3,188,387	18,798,933
Deferred Inflows of Resources			
Deferred inflows - pensions	21,382	4,046	25,428
Net Position			
Net investment in capital assets	26,621,889	6,446,443	33,068,332
Restricted:			
Municipal court - child safety	63,375	-	63,375
Municipal court - security	60,889	-	60,889
Debt service	-	245,891	245,891
Asset forfeitures	17,881	-	17,881
Capital projects	-	719,589	719,589
Legacy fund	18,126	-	18,126
Unrestricted	9,662,867	(1,042,151)	8,620,716
Total Net Position	\$ 36,445,027	\$ 6,369,772	\$ 42,814,799

See Notes to Financial Statements.

CITY OF SPRING VALLEY VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	\$ 800,723	\$ 265,706	\$ -
Public safety	3,880,246	938,409	-
Public works	1,906,985	-	661,046
Interest and other charges on long-term debt	432,200	-	-
Total Governmental Activities	7,020,154	1,204,115	661,046
Business-Type Activities			
Water, sewer, and solid waste	2,848,278	2,720,856	-
Total Business-Type Activities	2,848,278	2,720,856	-
Total Primary Government	\$ 9,868,432	\$ 3,924,971	\$ 661,046

General Revenues:

- Taxes:
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other

**Total General Revenues and Transfers
Change in Net Position**

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (535,017)	\$ -	\$ (535,017)
(2,941,837)	-	(2,941,837)
(1,245,939)	-	(1,245,939)
(432,200)	-	(432,200)
<u>(5,154,993)</u>	<u>-</u>	<u>(5,154,993)</u>
-	(127,422)	(127,422)
-	(127,422)	(127,422)
<u>(5,154,993)</u>	<u>(127,422)</u>	<u>(5,282,415)</u>
4,402,210	-	4,402,210
1,197,292	-	1,197,292
353,381	-	353,381
30,566	-	30,566
136,207	26,066	162,273
<u>6,119,656</u>	<u>26,066</u>	<u>6,145,722</u>
964,663	(101,356)	863,307
<u>35,480,364</u>	<u>6,471,128</u>	<u>41,951,492</u>
<u>\$ 36,445,027</u>	<u>\$ 6,369,772</u>	<u>\$ 42,814,799</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	Capital Improvements	Asset Forfeiture
<u>Assets</u>				
Cash and cash equivalents	\$ 4,996,960	\$ 13,294	\$ 12,477,455	\$ 17,881
Investments	961,740	-	-	-
Receivables, net	258,150	-	-	-
Due from other funds	89,480	-	1,322	-
Prepaid items	870	-	-	-
Restricted cash	119,499	-	-	-
Total Assets	\$ 6,426,699	\$ 13,294	\$ 12,478,777	\$ 17,881
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 230,562	\$ 14,176	\$ 1,289,156	\$ -
Deposits	69,342	-	-	-
Due to other funds	1,322	-	-	-
Total Liabilities	301,226	14,176	1,289,156	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	21,370	-	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	870	-	-	-
Restricted:				
Municipal court - child safety	63,375	-	-	-
Municipal court - security	60,889	-	-	-
Asset forfeitures	-	-	-	17,881
Legacy fund	-	-	-	-
Capital projects	-	-	9,096,611	-
Assigned:				
Capital outlay	359,267	-	2,093,010	-
Unassigned	5,619,702	(882)	-	-
Total Fund Balances	6,104,103	(882)	11,189,621	17,881
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,426,699	\$ 13,294	\$ 12,478,777	\$ 17,881

See Notes to Financial Statements.

<u>Legacy Fund</u>	<u>Total Governmental Funds</u>
\$ 18,126	\$ 17,523,716
-	961,740
-	258,150
-	90,802
-	870
-	119,499
<u>\$ 18,126</u>	<u>\$ 18,954,777</u>
\$ -	\$ 1,533,894
-	69,342
-	1,322
<u>-</u>	<u>1,604,558</u>
-	21,370
-	870
-	63,375
-	60,889
-	17,881
18,126	18,126
-	9,096,611
-	2,452,277
-	5,618,820
<u>18,126</u>	<u>17,328,849</u>
<u>\$ 18,126</u>	<u>\$ 18,954,777</u>

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CITY OF SPRING VALLEY VILLAGE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2016

Total fund balances for governmental funds	\$ 17,328,849
Amounts reported for governmental activities in the Statement of Net Position are different, because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets, nondepreciable	9,784,983
Capital assets, net depreciable	20,936,862
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	21,370
Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	
	1,611,137
Deferred outflows and deferred inflows related to pension activity are not reported in the governmental funds.	
Deferred outflows - pensions	770,904
Deferred inflows - pensions	(21,382)
Net pension liability	(539,005)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(153,476)
Noncurrent liabilities due in one year	(593,851)
Noncurrent liabilities due in more than one year	(12,701,364)
Net Position of Governmental Activities	\$ <u>36,445,027</u>

See Notes to Financial Statements.

CITY OF SPRING VALLEY VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

Revenues	General	Debt Service	Capital Improvements	Asset Forfeiture
Property taxes	\$ 3,590,002	\$ 918,705	\$ -	\$ -
Sales taxes	1,197,292	-	-	-
Franchise and local taxes	353,381	-	-	-
Fines and forfeitures	540,494	-	-	-
Licenses and permits	265,706	-	-	-
Hilshire police contract	397,915	-	-	-
Investment income	18,382	-	12,184	-
Intergovernmental	661,046	-	-	-
Other	83,308	-	-	-
Total Revenues	7,107,526	918,705	12,184	-
Expenditures				
Current:				
General government	1,287,658	-	-	-
Public safety	3,351,917	-	-	10,299
Public works	393,737	-	-	-
Capital outlay	-	-	6,288,546	-
Debt service:				
Principal	-	400,000	-	-
Interest	-	524,336	-	-
Total Expenditures	5,033,312	924,336	6,288,546	10,299
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,074,214	(5,631)	(6,276,362)	(10,299)
Other Financing Sources (Uses)				
Transfers in	-	-	1,250,000	-
Transfers out	(1,382,997)	-	-	-
Sale of capital assets	4,320	-	-	-
Total Other Financing Sources (Uses)	(1,378,677)	-	1,250,000	-
Net Change in Fund Balances	695,537	(5,631)	(5,026,362)	(10,299)
Beginning fund balances	5,408,566	4,749	16,215,983	28,180
Ending Fund Balances	\$ 6,104,103	\$ (882)	\$ 11,189,621	\$ 17,881

See Notes to Financial Statements.

Legacy Fund	Total Governmental Funds
\$ -	\$ 4,508,707
-	1,197,292
-	353,381
-	540,494
-	265,706
-	397,915
-	30,566
-	661,046
<u>53,131</u>	<u>136,439</u>
<u>53,131</u>	<u>8,091,546</u>
-	1,287,658
35,005	3,397,221
-	393,737
-	6,288,546
-	400,000
-	524,336
<u>35,005</u>	<u>12,291,498</u>
<u>18,126</u>	<u>(4,199,952)</u>
-	1,250,000
-	(1,382,997)
-	4,320
<u>-</u>	<u>(128,677)</u>
18,126	(4,328,629)
<u>-</u>	<u>21,657,478</u>
<u>\$ 18,126</u>	<u>\$ 17,328,849</u>

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CITY OF SPRING VALLEY 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 September 30, 2016

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

Net change in fund balances - total governmental funds	\$ (4,328,629)
--	----------------

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	6,135,187
Depreciation expense	(1,268,121)

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

Net change in unavailable revenue - property taxes	(106,497)
--	-----------

Change in pension activity does not affect the fund balances

Net pension liability	(753,193)
Deferred outflows - pensions	594,797
Deferred inflows - pensions	9,975

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 position. 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.

Accrued interest expense	85,738
Premium on debt	6,398
Debt issued	400,000

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	(2,999)
----------------------	---------

An internal service fund is used by management to charge the costs of providing various services and benefits to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

	192,007
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Change in Net Position of Governmental Activities	\$ 964,663
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See Notes to Financial Statements.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 88,451	\$ 1,630,751
Restricted cash	965,480	-
Receivables, net	301,541	-
Total Current Assets	1,355,472	1,630,751
Noncurrent Assets		
Capital assets:		
Land	5,207	-
Construction in progress	1,035,790	-
Building	44,708	-
Infrastructure	26,892	-
Water system	7,782,857	-
Sewer system	5,741,776	-
Vehicles	45,895	-
Machinery and equipment	209,062	-
Less accumulated depreciation	(6,746,223)	-
Total Capital Assets Net of Depreciable Assets	8,145,964	-
Total Noncurrent Assets	8,145,964	-
Total Assets	9,501,436	1,630,751
<u>Deferred Outflows of Resources</u>		
Deferred outflows - pensions	150,249	-
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities	260,224	19,614
Due to other funds	89,480	-
Customer deposits	143,330	-
Accrued interest payable	8,761	-
Long-term liabilities due within one year	182,715	-
Total Current Liabilities	684,510	19,614
Noncurrent Liabilities		
Net pension liability	101,995	-
Long-term liabilities due in more than one year	2,491,362	-
Total Noncurrent Liabilities	2,593,357	-
Total Liabilities	3,277,867	19,614
<u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	4,046	-
<u>Net Position</u>		
Net investment in capital assets	6,446,443	-
Restricted for capital projects	719,589	-
Restricted for debt service	245,891	-
Unrestricted	(1,042,151)	1,611,137
Total Net Position	\$ 6,369,772	\$ 1,611,137

See Notes to Financial Statements.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 1,292,863	\$ -
Sewer charges	1,098,058	-
Solid waste charges	329,935	-
Charges for services	-	243,875
Other	26,066	-
Total Operating Revenues	2,746,922	243,875
<u>Operating Expenses</u>		
General and administrative	558,076	184,865
Water	666,577	-
Sewer	752,171	-
Solid waste	321,094	-
Depreciation	478,716	-
Total Operating Expenses	2,776,634	184,865
Operating Income (loss)	(29,712)	59,010
<u>Nonoperating Revenues (Expenses)</u>		
Interest expense and other	(71,644)	-
Total Nonoperating (Expenses)	(71,644)	-
Income (Loss) Before Transfers	(101,356)	59,010
Transfers in	-	132,997
Change in Net Position	(101,356)	192,007
Beginning net position	6,471,128	1,419,130
Ending Net Position	\$ 6,369,772	\$ 1,611,137

See Notes to Financial Statements.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 2,831,647	\$ 243,875
Payments to suppliers	(2,005,818)	-
Payments to employees	(417,997)	(184,865)
Net Cash Provided by Operating Activities	407,832	59,010
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers in	-	132,997
Net Cash (Used) by Noncapital Financing Activities	-	132,997
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(118,428)	-
Interest and fiscal agent fees paid	(71,644)	-
Debt payments	(170,000)	-
Net Cash (Used) by Capital and Related Financing Activities	(360,072)	-
Net Increase in Cash and Cash Equivalents	47,760	192,007
Beginning cash and cash equivalents	1,006,171	1,419,130
Ending Cash and Cash Equivalents	\$ 1,053,931	\$ 1,611,137
Ending Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	\$ 88,451	\$ 1,630,751
Restricted cash and cash equivalents	965,480	-
	\$ 1,053,931	\$ 1,630,751
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (29,712)	\$ 59,010
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	478,716	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	64,816	-
Net pension asset	40,531	-
Deferred outflows - pension	(116,925)	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(148,643)	-
Accrued expenses	(559)	-
Due to other funds	4,480	-
Net pension liability	101,995	-
Deferred inflows - pension	(1,888)	-
Compensated absences	(4,888)	-
Customer deposits	19,909	-
Net Cash Provided by Operating Activities	\$ 407,832	\$ 59,010

See Notes to Financial Statements.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Spring Valley Village, Texas (the “City”) was incorporated under the laws of the State of Texas in 1955. The City operates as a “General Law” city, which provides for a “Mayor-Council” form of government.

The City provides the following services: public safety, highways and streets, sanitation, water and sewer services, 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.

Blended Component Unit

Spring Valley Legacy Fund, Inc.

The Spring Valley Legacy Fund, Inc. (the “Corporation”) has been included in the reporting entity as a blended component unit. The Corporation was established to allow the City to receive private and corporate donations to be used solely to benefit the Spring Valley Police Department. The Board of Directors consisting of six members, all members of the City Council, for terms of office coinciding with their respective terms of office with the City, plus one appointed individual.

The component unit identified above is included in the City’s reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations’ boards and is either able to impose its will on them or a financial benefit/burden exists.

Complete financial statements of the component unit can be obtained directly from administrative offices of the City.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

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, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all 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.

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue fund, asset forfeiture, holds monies seized by the police department to be used for public safety and security. The asset forfeiture fund is elected to report as a major fund for reporting purposes.

The *legacy fund* is used solely to benefit the Spring Valley Police Department. The primary source of revenue for legacy fund is from private and corporate donations. The legacy fund is elected to report as a major fund for reporting purposes.

The *capital improvements fund* is used to account for the expenditures related to capital projects through resources accumulated from various internal transfers. The capital improvements fund is considered a major fund for reporting purposes.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

The City reports 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.

Additionally, the City reports the following fund type:

The *internal service* fund is used to account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for vehicle and equipment replacement.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools (TexPool), 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.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Investments

Investments are stated at fair value except for investment pools, which are stated at either amortized costs or net asset value. Investment income from the pools are allocated back to the respective funds based on each fund's equity in the pool.

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 Government Code. In summary, the City is authorized to invest in the following: direct obligations of the U.S. Government, fully collateralized certificates of deposit and money market accounts, and statewide investment pools.

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 future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

4. Capital Assets

Capital assets, which include property, plant, 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 City 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.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 years
Furniture and fixtures	4-8 years
Infrastructure	40 years
Machinery and equipment	4-8 years
Water and sewer system	20-40 years
Buildings	40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings related to the City's defined benefit pension plan. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for the changes in actuarial assumptions related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the expected and the actual economic

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

experience on the pension plan liability related to the City's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

The City maintains formal programs for vacation and sick leave. Vacation pay is calculated six months from the date of employment and is cumulative up to 80 hours for employees with less than five years of service and 120 hours for employees with more than five years of service. According to policy, 40 hours may carry over at year end if no exceptions are made. Sick leave is accumulated up to 240 hours but does not vest.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. 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 debt service fund.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City will strive to achieve and maintain an unassigned fund balance in the general fund equal to at least 120 days of budgeted operating expenditures. If the unassigned fund balance falls below the target or has a deficiency, the City will seek to reduce expenditures prior to increasing revenues in order to replenish the fund balance within a reasonable time frame not to exceed three years.

11. 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, 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.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during September 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. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the object and purpose stated in the approved budget.

A. Deficit Fund Balance

As of September 30, 2016, the debt service fund has a deficit fund balance of \$(882). The deficit will be recovered in future years through the collection of property tax.

CITY OF SPRING VALLEY VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pool (TexPool)	\$ 3,004,874	0.00
Money market	706,967	0.00
Certificates of deposit	<u>961,740</u>	0.33
Total Investments	<u>\$ 4,673,581</u>	
Portfolio Weighted Average Maturity		0.08

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. State law and the City’s investment policy limits investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent. Further, commercial paper must be rated not less than “A-1” or “P-1” or an equivalent rating by at least two nationally recognized credit rating agencies. As of year end, the City’s investment in TexPool was rated “AAAm” by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

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 105 percent. As of year end, market values of pledged securities and FDIC insurance exceeded bank balances.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

B. Receivables

The following comprises receivable balances at year end:

	General	Enterprise
Property taxes	\$ 23,382	\$ -
Other taxes	232,828	-
Accrued interest	1,940	-
Accounts	-	328,741
Less allowance	-	(27,200)
	\$ 258,150	\$ 301,541

C. Capital Assets

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

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,966,307	\$ -	\$ -	\$ 1,966,307
Construction in progress	2,105,831	5,762,083	(49,238)	7,818,676
Total Capital Assets Not Being Depreciated	4,072,138	5,762,083	(49,238)	9,784,983
Other capital assets:				
Infrastructure	43,760,238	183,615	-	43,943,853
Buildings	633,005	-	-	633,005
Furniture and fixtures	218,528	41,117	(17,631)	242,014
Machinery and equipment	763,550	34,720	(104,092)	694,178
Vehicles	549,958	167,442	(50,761)	666,639
Total Other Capital Assets	45,925,279	426,894	(172,484)	46,179,689
Less accumulated depreciation for:				
Infrastructure	(22,513,530)	(1,098,658)	-	(23,612,188)
Buildings	(535,905)	(5,263)	-	(541,168)
Furniture and fixtures	(139,045)	(24,512)	17,631	(145,926)
Machinery and equipment	(569,680)	(40,514)	99,540	(510,654)
Vehicles	(384,478)	(99,174)	50,761	(432,891)
Total Accumulated Depreciation	(24,142,638)	(1,268,121)	167,932	(25,242,827)
Other capital assets, net	21,782,641	(841,227)	(4,552)	20,936,862
Governmental Activities Capital Assets, Net	\$ 25,854,779	\$ 4,920,856	\$ (53,790)	30,721,845
			Less associated debt	(13,196,567)
			Unspent bond proceeds	9,096,611
			Net Investment in Capital Assets	\$ 26,621,889

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

Depreciation was charged to governmental functions as follows:

General government	\$	21,622
Public safety		124,839
Public works		<u>1,121,660</u>
Total Governmental Activities Depreciation Expense	\$	<u>1,268,121</u>

A summary of changes in capital assets for business-type activities for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 5,207	\$ -	\$ -	\$ 5,207
Construction in progress	<u>1,035,790</u>	<u>-</u>	<u>-</u>	<u>1,035,790</u>
Total Capital Assets Not Being Depreciated	<u>1,040,997</u>	<u>-</u>	<u>-</u>	<u>1,040,997</u>
Other capital assets:				
Building	44,708	-	-	44,708
Infrastructure	26,892	-	-	26,892
Water system	7,699,189	118,428	(34,760)	7,782,857
Sewer system	5,741,776	-	-	5,741,776
Vehicles	68,349	-	(22,454)	45,895
Machinery and equipment	<u>221,542</u>	<u>-</u>	<u>(12,480)</u>	<u>209,062</u>
Total Other Capital Assets	<u>13,802,456</u>	<u>118,428</u>	<u>(69,694)</u>	<u>13,851,190</u>
Less accumulated depreciation for:				
Building	(30,890)	(667)	-	(31,557)
Infrastructure	(5,376)	(672)	-	(6,048)
Water system	(4,197,442)	(282,051)	34,760	(4,444,733)
Sewer system	(1,942,622)	(171,537)	-	(2,114,159)
Vehicles	(63,861)	(4,487)	22,454	(45,894)
Machinery and equipment	<u>(97,010)</u>	<u>(19,302)</u>	<u>12,480</u>	<u>(103,832)</u>
Total Accumulated Depreciation	<u>(6,337,201)</u>	<u>(478,716)</u>	<u>69,694</u>	<u>(6,746,223)</u>
Other capital assets, net	<u>7,465,255</u>	<u>(360,288)</u>	<u>-</u>	<u>7,104,967</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,506,252</u>	<u>\$ (360,288)</u>	<u>\$ -</u>	<u>8,145,964</u>
			Less associated debt	(2,665,000)
			Unspent bond proceeds	965,479
			Net Investment in Capital Assets	<u>\$ 6,446,443</u>

Depreciation was charged to business-type functions as follows:

Water	\$	307,179
Sewer		<u>171,537</u>
Total Business-Type Activities Depreciation Expense	\$	<u>478,716</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year. In general, the City uses the general fund and debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds series 2015	\$ 13,475,000	\$ -	\$ (400,000)	\$ 13,075,000 *	\$ 510,000
Premiums	127,965	-	(6,398)	121,567 *	-
Net pension liability	-	539,005	-	539,005	-
Compensated absences	95,649	2,999	-	98,648	83,851
Total Governmental Activities	\$ 13,698,614	\$ 542,004	\$ (406,398)	\$ 13,834,220	\$ 593,851
				Long-term liabilities due in more than one year	\$ 13,240,369
				* Debt associated with governmental activity capital assets	\$ 13,196,567
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Revenue bonds, series 2014	\$ 2,835,000	\$ -	\$ (170,000)	\$ 2,665,000 *	\$ 175,000
Net pension liability	-	101,995	-	101,995	-
Compensated absences	13,965	-	(4,888)	9,077	7,715
Total Business-Type Activities	\$ 2,848,965	\$ 101,995	\$ (174,888)	\$ 2,776,072	\$ 182,715
				Long-term liabilities due in more than one year	\$ 2,593,357
				* Debt associated with business-type activity capital assets	\$ 2,665,000

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.

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

	Amounts Outstanding	Interest Rates	Maturity Interest Pmt. Dates
General Obligation Bonds			
Series 2015	\$ 13,075,000	2.00% - 3.89%	Feb 15, Aug 15

CITY OF SPRING VALLEY VILLAGE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Long-term debt for business-type activities at year end was comprised of the following debt issues:

	Amounts Outstanding	Interest Rates	Maturity Interest Pmt. Dates
Revenue Bonds			
Series 2014	\$ 2,665,000	2.63%	Feb 15, Aug 15

Pledged Revenues

The net revenue of the enterprise fund is pledged for the payment of interest and principal on the outstanding revenue bonds, series 2014. The revenue bonds were issued for the purpose of improving and extending the City's water and sanitary sewer system and are payable through 2029. The table below represents the pledged amount at September 30, 2016:

Gross Revenue (1)	Operating Expenses (2)	Net Revenue	Debt Service Requirement (3)	Revenue Bond Coverage
\$ 2,746,922	\$ 2,297,918	\$ 449,004	\$ 245,090	1.83

- (1) Gross revenues as defined in the revenue bond ordinance include operating and nonoperating revenue and exclude capital contributions, grant revenues, and capital recovery fees.
- (2) Total operating expenses as defined in the revenue bond ordinance does not include amortization, bond interest, and fiscal charges.
- (3) Debt service requirements are based on the expected debt service payments for the following fiscal year.

The annual requirements to amortize bond debt issues outstanding at year end were as follows:

Fiscal Year Ending Sept. 30	Governmental Activities		
	General Obligation Bonds		
	Principal Due	Interest Due	Total Due
2017	\$ 510,000	\$ 399,069	\$ 909,069
2018	530,000	378,269	908,269
2019	550,000	362,169	912,169
2020	565,000	345,369	910,369
2021	585,000	325,294	910,294
2022-2026	3,200,000	1,348,594	4,548,594
2027-2031	3,720,000	830,344	4,550,344
2032-2035	3,415,000	224,197	3,639,197
Total	\$ 13,075,000	\$ 4,213,303	\$ 17,288,305

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

Fiscal Year Ending Sept. 30	Business-Type Activities		
	Revenue Bonds		
	Principal Due	Interest Due	Total Due
2017	\$ 175,000	\$ 70,090	\$ 245,090
2018	180,000	65,487	245,487
2019	185,000	60,753	245,753
2020	190,000	55,888	245,888
2021	195,000	50,891	245,891
2022-2026	1,050,000	174,896	1,224,896
2027-2029	690,000	36,557	726,557
Total	\$ 2,665,000	\$ 514,560	\$ 3,179,562

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 is not obligated in any manner for special assessment debt.

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 (IRS) 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 the rules and regulations of the IRS.

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amount
Capital improvements fund	General fund	\$ 1,250,000
General fund	Internal service fund	132,997
	Total	\$ 1,382,997

Amounts transferred between funds were related to operating capital projects activities.

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

Receivable Fund	Payable Fund	Amount
Debt service fund	Capital improvements fund	\$ 1,322
General fund	Enterprise fund	89,480
	Total	\$ 90,802

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

F. Fund Equity

Funds restricted by enabling legislation are \$124,264, which are related to municipal court security and child safety fees.

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"). 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.

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 that 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.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:

	2016	2015
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	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to, but not yet receiving, benefits	25
Active employees	37
Total	82

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.58% and 6.07% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$167,012 and were equal to the required contributions.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 317,389	\$ -	\$ 317,389
Interest	647,576	-	647,576
Change of benefit terms	-	-	-
Difference between expected and actual experience	(239)	-	(239)
Changes of assumptions	275,713	-	275,713
Contributions - employer	-	164,572	(164,572)
Contributions - employee	-	175,076	(175,076)
Net investment income	-	14,056	(14,056)
Benefit payments, including refunds of employee contributions	(356,533)	(356,533)	-
Administrative expense	-	(8,561)	8,561
Other changes	-	(423)	423
Net Changes	883,906	(11,813)	895,719
Balance at December 31, 2014	9,270,662	9,525,381	(254,719)
Balance at December 31, 2015	<u>\$ 10,154,568</u>	<u>\$ 9,513,568</u>	<u>\$ 641,000</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 1,847,642	\$ 641,000	\$ (373,504)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$339,145.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 25,428
Changes in actuarial assumptions	210,223	-
Difference between projected and actual investment earnings	591,528	-
Contributions subsequent to the measurement date	119,403	-
Total	\$ 921,154	\$ 25,428

\$119,403 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase to the net pension asset for the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2017	\$ 207,049
2018	207,049
2019	217,938
2020	144,287
Total	\$ 776,323

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

D. Other Post Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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; 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 September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

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 contributions to the TMRS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$735, \$482, and \$395, respectively. The City's contribution rates for the past three years are shown below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Req. Contrib. (Rate)	0.03%	0.02%	0.02%
Actual Contribution Made	0.03%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Revenue Allocation Agreement

Effective October 1, 2014, the City entered into an amended Congestion Mitigation/Traffic Management Agreement (the "Agreement") with METRO, which continues through December 31, 2025, unless terminated earlier per the provisions of the Agreement. Under the terms of the Agreement, the City will receive periodic payments in amounts equal to one-half of all available sales and use tax revenues collected by or for METRO within the corporate limits of the City. The City may utilize the funds for traffic-related projects and costs. The funds are accounted for in the general fund.

CITY OF SPRING VALLEY VILLAGE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2016

F. Related Organizations and Joint Ventures

Fire Protection

The City has entered into an interlocal agreement (the "Agreement") with the cities of Bunker Hill Village, Hedwig Village, Hunters Creek Village, Piney Point Village, and Hilshire Village, Texas, 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 this Agreement, the City is liable for 16.25 percent of VFD's approved budget.

Consolidated financial information extracted from the VFD's audited financial statements for the year ended December 31, 2015, on which the VFD's auditors expressed an unmodified opinion, is as follows:

	<u>VFD Total</u>		<u>City's Portion (16.25%)</u>	
	<u>Net Position</u>	<u>Balance Sheet</u>	<u>Net Position</u>	<u>Balance Sheet</u>
Total assets	\$ 2,655,403	\$ 920,294	\$ 431,502	\$ 149,548
Total liabilities	765,928	42,731	124,463	6,944
Total Participants' Equity	\$ 1,889,475	\$ 877,563	\$ 307,039	\$ 142,604
	<u>Change in Net Position</u>	<u>Revenues and Expenditures</u>	<u>Change in Net Position</u>	<u>Revenues and Expenditures</u>
Total revenues	\$ 5,262,065	\$ 5,263,321	\$ 855,086	\$ 855,290
Total expenditures/expenses	5,492,599	5,235,323	892,547	850,740
Revenues (under) expenditures/expenses	(230,534)	27,998	(37,462)	4,550
Beginning participants' equity	2,120,009	849,565	344,501	138,054
Ending Participants' Equity	\$ 1,889,475	\$ 877,563	\$ 307,039	\$ 142,604
Unfunded Actuarial Accrued Liability at 12/31/14 with TMRS	\$ 438,155		\$ 71,200	

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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended September 30, 2016

	Original Budget	Budget as Amended	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 3,460,260	\$ 3,460,260	\$ 3,590,002	\$ 129,742
Sales tax	1,168,000	1,168,000	1,197,292	29,292
Franchise and local taxes	325,202	325,202	353,381	28,179
Fines and forfeitures	565,500	565,500	540,494	(25,006)
Licenses and permits	225,150	225,150	265,706	40,556
Hilshire police contract	395,648	395,648	397,915	2,267
Investment income	10,000	10,000	18,382	8,382
Intergovernmental	540,000	540,000	661,046	121,046
Other	105,000	105,000	83,308	(21,692)
Total Revenues	6,794,760	6,794,760	7,107,526	312,766
Expenditures				
General Government				
Mayor and council	7,400	7,400	5,008	2,392
General government	1,234,411	1,234,411	980,835	253,576
Municipal court	352,011	352,011	233,722	118,289
Parks and recreation	70,640	70,640	68,093	2,547
Total General Government	1,664,462	1,664,462	1,287,658	376,804
Public Safety				
Police	2,590,652	2,611,869	2,491,875	119,994
Fire	860,042	860,042	860,042	-
Total Public Safety	3,450,694	3,471,911	3,351,917	119,994
Public Works				
Streets and drainage	420,486	420,486	393,737	26,749
Total Expenditures	5,535,642	5,556,859	5,033,312	523,547
Other Financing Sources (Uses)				
Transfers in	57,000	57,000	-	(57,000)
Transfers (out)	(1,250,000)	(1,250,000)	(1,382,997)	(132,997)
Sale of capital assets	-	-	4,320	4,320
Total Other Financing (Uses)	(1,193,000)	(1,193,000)	(1,378,677)	(185,677)
Net Change in Fund Balance	\$ 66,118	\$ 44,901	695,537	\$ 650,636
Beginning fund balance			5,408,566	
Ending Fund Balance			\$ 6,104,103	

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 SPRING VALLEY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

	Measurement Year*	
	2016	2015
Total Pension Liability		
Service cost	\$ 317,389	\$ 262,594
Interest (on the total pension liability)	647,576	612,560
Changes of benefit terms	-	-
Difference between expected and actual experience	(239)	(49,336)
Change of assumptions	275,713	-
Benefit payments, including refunds of employee contributions	(356,533)	(349,425)
Net Change in Total Pension Liability	883,906	476,393
Beginning total pension liability	9,270,662	8,794,269
Ending Total Pension Liability	\$ 10,154,568	\$ 9,270,662
Plan Fiduciary Net Position		
Contributions - employer	\$ 164,572	\$ 168,939
Contributions - employee	175,076	161,113
Net investment income	14,056	516,782
Benefit payments, including refunds of employee contributions	(356,533)	(349,425)
Administrative expense	(8,561)	(5,396)
Other	(423)	(444)
Net Change in Plan Fiduciary Net Position	(11,813)	491,569
Beginning plan fiduciary net position	9,525,381	9,033,812
Ending Plan Fiduciary Net Position	\$ 9,513,568	\$ 9,525,381
Net Pension (Asset)/Liability	\$ 641,000	\$ (254,719)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.69%	102.75%
Covered Employee Payroll	\$ 2,501,093	\$ 2,301,618
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	25.63%	(11.07%)

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

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CITY OF SPRING VALLEY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

	Fiscal Year*	
	2016	2015
Actuarially determined contribution	\$ 167,012	\$ 164,572
Contributions in relation to the actuarially determined contribution	167,012	164,572
Contribution deficiency (excess)	\$ -	\$ -
 Covered employee payroll	 \$ 2,690,588	 \$ 2,501,093
 Contributions as a percentage of covered employee payroll	 6.21%	 6.58%

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 103% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

Contents	Page
Financial Trends	76
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	86
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	94
<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	105
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	109
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF SPRING VALLEY VILLAGE, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net investment in capital assets	\$ 15,128,014	\$ 17,797,616	\$ 20,358,533	\$ 20,112,126
Restricted	1,893,883	1,852,121	1,025,900	791,523
Unrestricted	4,185,379	5,261,898	4,599,339	5,784,809
Total Governmental Activities Net Position	\$ 21,207,276	\$ 24,911,635	\$ 25,983,772	\$ 26,688,458
Business-Type Activities				
Net investment in capital assets	\$ 7,004,987	\$ 7,267,936	\$ 8,110,784	\$ 8,194,572
Restricted	-	-	-	-
Unrestricted	(27,440)	(22,150)	(750,876)	(1,226,981)
Total Business-Type Activities Net Position	\$ 6,977,547	\$ 7,245,786	\$ 7,359,908	\$ 6,967,591
Primary Government				
Net investment in capital assets	\$ 22,133,001	\$ 25,065,552	\$ 28,469,317	\$ 28,306,698
Restricted	1,893,883	1,852,121	1,025,900	791,523
Unrestricted	4,157,939	5,239,748	3,848,463	4,557,828
Total Primary Government Net Position	\$ 28,184,823	\$ 32,157,421	\$ 33,343,680	\$ 33,656,049

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 20,562,889	\$ 23,227,286	\$ 25,437,372	\$ 24,859,774	\$ 25,354,855	\$ 26,621,889
720,777	75,118	121,848	150,437	154,588	160,271
6,582,772	5,825,609	5,065,577	7,973,362	9,970,921	9,662,867
<u>\$ 27,866,438</u>	<u>\$ 29,128,013</u>	<u>\$ 30,624,797</u>	<u>\$ 32,983,573</u>	<u>\$ 35,480,364</u>	<u>\$ 36,445,027</u>
\$ 7,822,043	\$ 7,416,956	\$ 7,201,090	\$ 7,484,141	\$ 6,429,975	\$ 6,446,443
-	-	-	1,612,394	1,004,614	965,480
(744,008)	(364,877)	(259,161)	(2,241,483)	(963,461)	(1,042,151)
<u>\$ 7,078,035</u>	<u>\$ 7,052,079</u>	<u>\$ 6,941,929</u>	<u>\$ 6,855,052</u>	<u>\$ 6,471,128</u>	<u>\$ 6,369,772</u>
\$ 28,384,932	\$ 30,644,242	\$ 32,638,462	\$ 32,343,915	\$ 31,784,830	\$ 33,068,332
720,777	75,118	121,848	150,437	1,159,202	1,125,751
5,838,764	5,460,732	4,806,416	5,731,879	9,007,460	8,620,716
<u>\$ 34,944,473</u>	<u>\$ 36,180,092</u>	<u>\$ 37,566,726</u>	<u>\$ 38,226,231</u>	<u>\$ 41,951,492</u>	<u>\$ 42,814,799</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
General government	\$ 1,424,163	\$ 1,378,291	\$ 1,657,481	\$ 1,211,535
Public safety	2,430,669	2,588,428	2,694,742	2,906,948
Public works	579,888	799,234	729,391	1,270,439
Interest and fiscal agent fees	11,088	5,028	3,724	19,261
Total Governmental Activities Expenses	<u>4,445,808</u>	<u>4,770,981</u>	<u>5,085,338</u>	<u>5,408,183</u>
Business-Type Activities				
Water, sewer, and solid waste	1,519,302	1,763,893	2,012,235	2,344,054
Total Business-Type Activities Expenses	<u>1,519,302</u>	<u>1,763,893</u>	<u>2,012,235</u>	<u>2,344,054</u>
Total Expenses	<u>\$ 5,965,110</u>	<u>\$ 6,534,874</u>	<u>\$ 7,097,573</u>	<u>\$ 7,752,237</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 277,575	\$ 268,530	\$ 161,928	\$ 219,210
Public safety	576,903	666,844	960,101	918,499
Operating grants and contributions	270,134	282,561	158,942	165,080
Capital grants and contributions	2,523,895	2,106,655	-	-
Total Governmental Activities Program Revenues	<u>3,648,507</u>	<u>3,324,590</u>	<u>1,280,971</u>	<u>1,302,789</u>
Business-Type Activities				
Charges for services				
Water, sewer, and solid waste	1,979,289	2,201,823	2,289,356	2,114,736
Total Business-Type Activities Program Revenues	<u>1,979,289</u>	<u>2,201,823</u>	<u>2,289,356</u>	<u>2,114,736</u>
Total Program Revenues	<u>\$ 5,627,796</u>	<u>\$ 5,526,413</u>	<u>\$ 3,570,327</u>	<u>\$ 3,417,525</u>
Net (Expense)/Revenue				
Governmental activities	\$ (797,301)	\$ (1,446,391)	\$ (3,804,367)	\$ (4,105,394)
Business-type activities	459,987	437,930	277,121	(229,318)
Total Net Expense	<u>\$ (337,314)</u>	<u>\$ (1,008,461)</u>	<u>\$ (3,527,246)</u>	<u>\$ (4,334,712)</u>

Fiscal Year

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	1,225,535	\$ 1,229,504	\$ 1,590,735	\$ 1,320,245	\$ 1,247,843	\$ 800,723
	2,837,702	2,786,639	2,648,646	2,738,631	3,036,137	3,880,246
	1,164,949	1,324,918	1,153,278	1,278,240	1,354,685	1,906,985
	-	-	-	-	337,430	432,200
	<u>5,228,186</u>	<u>5,341,061</u>	<u>5,392,659</u>	<u>5,337,116</u>	<u>5,976,095</u>	<u>7,020,154</u>
	<u>2,635,600</u>	<u>2,442,239</u>	<u>2,675,934</u>	<u>2,658,992</u>	<u>2,614,157</u>	<u>2,848,278</u>
	<u>2,635,600</u>	<u>2,442,239</u>	<u>2,675,934</u>	<u>2,658,992</u>	<u>2,614,157</u>	<u>2,848,278</u>
\$	<u>7,863,786</u>	<u>\$ 7,783,300</u>	<u>\$ 8,068,593</u>	<u>\$ 7,996,108</u>	<u>\$ 8,590,252</u>	<u>\$ 9,868,432</u>
\$	210,123	\$ 219,074	\$ 236,953	\$ 214,713	\$ 397,023	\$ 265,706
	922,068	814,509	800,772	1,127,801	1,133,967	938,409
	154,000	154,000	154,000	154,000	438,493	661,046
	-	-	-	-	-	-
	<u>1,286,191</u>	<u>1,187,583</u>	<u>1,191,725</u>	<u>1,496,514</u>	<u>1,969,483</u>	<u>1,865,161</u>
	<u>2,909,044</u>	<u>2,709,775</u>	<u>2,859,499</u>	<u>2,730,542</u>	<u>2,708,075</u>	<u>2,720,856</u>
	<u>2,909,044</u>	<u>2,709,775</u>	<u>2,859,499</u>	<u>2,730,542</u>	<u>2,708,075</u>	<u>2,720,856</u>
\$	<u>4,195,235</u>	<u>\$ 3,897,358</u>	<u>\$ 4,051,224</u>	<u>\$ 4,227,056</u>	<u>\$ 4,677,558</u>	<u>\$ 4,586,017</u>
\$	(3,941,995)	\$ (4,153,478)	\$ (4,200,934)	\$ (3,840,602)	\$ (4,006,612)	\$ (5,154,993)
	273,444	267,536	183,565	71,550	93,918	(127,422)
\$	<u>(3,668,551)</u>	<u>\$ (3,885,942)</u>	<u>\$ (4,017,369)</u>	<u>\$ (3,769,052)</u>	<u>\$ (3,912,694)</u>	<u>\$ (5,282,415)</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 2,559,093	\$ 3,137,677	\$ 3,215,025	\$ 3,356,982
Sales taxes	1,092,109	1,165,828	941,938	786,042
Franchise and local taxes	271,006	269,032	306,797	317,905
Investment income	255,970	228,733	98,528	37,644
Other	186,401	179,787	151,217	141,288
Gain on sale of capital assets	-	-	-	7,220
Transfers	(587,000)	169,693	162,999	162,999
Total Governmental Activities	3,777,579	5,150,750	4,876,504	4,810,080
Business-type activities				
Other	-	-	-	-
Transfers	587,000	(169,693)	(162,999)	(162,999)
Total Business-Type Activities	587,000	(169,693)	(162,999)	(162,999)
Total Primary Government	\$ 4,364,579	\$ 4,981,057	\$ 4,713,505	\$ 4,647,081
Change in Net Position				
Governmental activities	\$ 2,980,278	\$ 3,704,359	\$ 1,072,137	\$ 704,686
Business-type activities	1,046,987	268,237	114,122	(392,317)
Total Change in Net Position	\$ 4,027,265	\$ 3,972,596	\$ 1,186,259	\$ 312,369

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 3,548,991	\$ 3,685,289	\$ 3,812,544	\$ 3,904,606	\$ 4,245,518	\$ 4,402,210
929,607	934,790	1,082,352	1,106,384	1,191,356	1,197,292
312,958	332,619	357,602	331,764	339,321	353,381
32,876	25,176	19,163	19,659	21,502	30,566
132,543	124,179	111,057	132,760	136,451	136,207
-	-	-	-	-	-
163,000	313,000	315,000	676,025	75,000	-
<u>5,119,975</u>	<u>5,415,053</u>	<u>5,697,718</u>	<u>6,171,198</u>	<u>6,009,148</u>	<u>6,119,656</u>
-	19,508	21,285	23,343	89	26,066
(163,000)	(313,000)	(315,000)	(676,025)	(75,000)	-
<u>(163,000)</u>	<u>(293,492)</u>	<u>(293,715)</u>	<u>(652,682)</u>	<u>(74,911)</u>	<u>26,066</u>
<u>\$ 4,956,975</u>	<u>\$ 5,121,561</u>	<u>\$ 5,404,003</u>	<u>\$ 5,518,516</u>	<u>\$ 5,934,237</u>	<u>\$ 6,145,722</u>
\$ 1,177,980	\$ 1,261,575	\$ 1,496,784	\$ 2,330,596	\$ 2,002,536	\$ 964,663
110,444	(25,956)	(110,150)	(581,132)	19,007	(101,356)
<u>\$ 1,288,424</u>	<u>\$ 1,235,619</u>	<u>\$ 1,386,634</u>	<u>\$ 1,749,464</u>	<u>\$ 2,021,543</u>	<u>\$ 863,307</u>

CITY OF SPRING VALLEY VILLAGE, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 1,893,883	\$ 1,852,121	\$ 1,025,900	\$ 791,523
Unreserved and designated	1,892,331	4,047,277	2,350,019	2,413,781
Unreserved and undesignated	2,289,297	1,165,165	2,249,809	3,485,628
Nonspendable	-	-	-	-
Committed	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 6,075,511	\$ 7,064,563	\$ 5,625,728	\$ 6,690,932
 All Other Governmental Funds				
Restricted	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -

* Note: In fiscal year 2011, the City implemented GASB 54,
Fund Balance Reporting and Governmental Fund Type Definitions.

Fiscal Year						
2011*	2012	2013	2014	2015	2016	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	385	870	870	870	
4,815,560	3,817,458	-	-	-	-	
720,777	75,118	121,848	122,257	121,659	124,264	
-	-	359,267	359,267	359,267	359,267	
1,918,202	2,191,707	3,550,699	4,004,162	4,926,770	5,619,702	
<u>\$ 7,454,539</u>	<u>\$ 6,084,283</u>	<u>\$ 4,032,199</u>	<u>\$ 4,486,556</u>	<u>\$ 5,408,566</u>	<u>\$ 6,104,103</u>	
\$ -	\$ -	\$ -	\$ -	\$ 13,135,970	\$ 9,132,618	
-	-	1,321,366	-	3,112,942	2,093,010	
-	-	-	-	-	(882)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,366</u>	<u>\$ -</u>	<u>\$ 16,248,912</u>	<u>\$ 11,224,746</u>	

CITY OF SPRING VALLEY VILLAGE, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Property taxes	\$ 2,561,318	\$ 3,091,799	\$ 3,254,064	\$ 3,334,593
Sales taxes	1,092,109	1,165,828	941,938	786,042
Franchise and local taxes	271,006	269,032	306,797	317,905
Fines and forfeitures	576,903	666,844	664,542	609,344
Licenses and permits	277,575	268,530	161,928	219,210
Hilshire police contract	270,134	282,561	295,559	309,155
Investment income	255,970	228,733	98,528	37,644
Intergovernmental	2,523,895	2,106,655	158,942	165,080
Other	186,401	179,787	151,217	141,288
Total Revenues	8,015,311	8,259,769	6,033,515	5,920,261
Expenditures				
General government	1,407,467	1,385,617	1,923,284	1,297,268
Public safety	2,549,390	2,622,183	2,746,404	2,910,260
Public works	1,092,434	3,349,144	2,882,196	695,234
Capital outlay	-	-	-	-
Debt service				
Bond issuance costs	-	-	-	-
Principal	314,848	78,438	79,741	103,253
Interest	11,640	5,028	3,724	19,261
Total Expenditures	5,375,779	7,440,410	7,635,349	5,025,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,639,532	819,359	(1,601,834)	894,985
Other Financing Sources (Uses)				
Issuance of debt	160,314	-	-	-
Premium on debt	-	-	-	-
Sale of capital assets	-	-	-	7,220
Transfers in	163,000	169,693	162,999	162,999
Transfers out	(750,000)	-	-	-
Total Other Financing Sources (Uses)	(426,686)	169,693	162,999	170,219
Net Change in Fund Balances	\$ 2,212,846	\$ 989,052	\$ (1,438,835)	\$ 1,065,204
Debt service as a percentage of noncapital expenditures	6.07%	1.12%	1.09%	2.44%

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	3,538,671	\$ 3,715,316	\$ 3,792,043	\$ 3,936,160	\$ 4,159,264	\$ 4,508,707
	929,607	934,790	1,082,352	1,106,384	1,191,356	1,197,292
	312,958	332,619	357,602	331,764	339,321	353,381
	602,246	506,233	470,225	772,834	752,084	540,494
	210,123	219,074	236,953	214,713	397,023	265,706
	319,822	308,276	330,547	354,967	381,883	397,915
	32,876	25,176	19,163	19,659	21,502	30,566
	154,000	154,000	154,000	154,000	438,493	661,046
	122,638	121,604	111,057	132,760	132,090	136,439
	<u>6,222,941</u>	<u>6,317,088</u>	<u>6,553,942</u>	<u>7,023,241</u>	<u>7,813,016</u>	<u>8,091,546</u>
	1,145,736	1,188,587	1,262,101	1,355,108	1,337,875	1,287,658
	2,841,154	2,786,166	2,886,525	3,002,128	3,201,065	3,397,221
	1,645,349	4,028,166	181,440	262,499	286,142	393,737
	-	-	3,269,594	439,623	2,114,494	6,288,546
	-	-	-	-	104,614	-
	-	-	-	-	-	400,000
	-	-	-	-	-	524,336
	<u>5,632,239</u>	<u>8,002,919</u>	<u>7,599,660</u>	<u>5,059,358</u>	<u>7,044,190</u>	<u>12,291,498</u>
	590,702	(1,685,831)	(1,045,718)	1,963,883	768,826	(4,199,952)
	-	-	-	-	13,475,000	-
	-	-	-	-	134,363	-
	9,905	2,575	-	84,352	5,310	4,320
	163,000	313,000	2,065,000	1,930,766	2,217,000	1,250,000
	-	-	(1,750,000)	(2,161,767)	(2,142,000)	(1,382,997)
	<u>172,905</u>	<u>315,575</u>	<u>315,000</u>	<u>(146,649)</u>	<u>13,689,673</u>	<u>(128,677)</u>
\$	<u>763,607</u>	<u>(1,370,256)</u>	<u>(730,718)</u>	<u>1,817,234</u>	<u>14,458,499</u>	<u>(4,328,629)</u>
	-	-	-	-	2.18%	15.01%

CITY OF SPRING VALLEY VILLAGE, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Residential	\$ 476,865,944	\$ 529,736,301	\$ 586,392,158	\$ 658,509,304
Vacant	17,018,402	17,212,065	18,270,408	22,296,426
Commercial and industrial	49,970,837	61,235,481	66,141,060	49,480,422
Utilities	15,071,639	15,672,560	13,597,987	12,735,134
Real properties	21,417,181	28,365,945	24,604,687	24,541,306
Governmental and charities	78,834,558	89,179,800	122,500,359	126,487,069
Total assessed value (1)	<u>659,178,561</u>	<u>741,402,152</u>	<u>831,506,659</u>	<u>894,049,661</u>
Less: Tax exempt property	<u>(174,673,172)</u>	<u>(193,715,335)</u>	<u>(236,039,917)</u>	<u>(252,438,683)</u>
Total Taxable Assessed Valuation	<u>\$ 484,505,389</u>	<u>\$ 547,686,817</u>	<u>\$ 595,466,742</u>	<u>\$ 641,610,978</u>
Taxable value as a percentage of assessed value	74%	74%	72%	72%
Total tax rate	\$ 0.524394	\$ 0.565000	\$ 0.548659	\$ 0.539760

Source: Tax department of the Spring Branch ISD.

(1) All property is assessed at 100% of actual taxable value.

Fiscal Year

	2011	2012	2013	2014	2015	2016
\$	682,799,385	\$ 727,362,843	\$ 749,621,556	\$ 816,582,662	\$ 938,839,232	\$ 1,057,666,553
	18,988,324	16,467,688	16,340,891	16,982,310	23,119,734	22,897,005
	48,897,421	48,724,472	50,298,328	54,623,908	71,949,422	69,321,629
	12,368,450	11,291,453	10,776,364	10,542,288	4,250,555	10,289,952
	23,956,770	22,184,491	23,043,294	23,360,586	8,625	25,945,101
	121,839,666	114,230,914	114,503,217	117,469,367	138,803,675	147,694,988
	<u>908,850,016</u>	<u>940,261,861</u>	<u>964,583,650</u>	<u>1,039,561,121</u>	<u>1,176,971,243</u>	<u>1,333,815,228</u>
	<u>(255,559,740)</u>	<u>(258,228,448)</u>	<u>(261,606,047)</u>	<u>(280,032,062)</u>	<u>(312,592,100)</u>	<u>(355,139,172)</u>
\$	<u>653,290,276</u>	<u>682,033,413</u>	<u>702,977,603</u>	<u>759,529,059</u>	<u>864,379,143</u>	<u>978,676,056</u>
	72%	73%	73%	73%	73%	73%
\$	0.539760	\$ 0.539760	\$ 0.539760	\$ 0.512843	\$ 0.487843	\$ 0.450000

CITY OF SPRING VALLEY VILLAGE, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
City of Spring Valley Village:				
Operating tax rate	\$ 0.524394	\$ 0.565000	\$ 0.548659	\$ 0.539760
Debt service tax rate	-	-	-	-
Total Direct Rates	<u>\$ 0.524394</u>	<u>\$ 0.565000</u>	<u>\$ 0.548659</u>	<u>\$ 0.539760</u>
Spring Branch Independent School District	\$ 1.631500	\$ 1.285000	\$ 1.382500	\$ 1.394500
Harris County	0.402390	0.392390	0.389230	0.388050
Harris County Flood Control	0.031060	0.031060	0.030860	0.029230
Port of Houston Authority	0.014370	0.014370	0.017730	0.020540
Harris County Hospital District	0.192160	0.192160	0.192160	0.192160
Harris County Education Department	0.005850	0.005850	0.005840	0.006580
Total Direct and Overlapping Rates	<u>\$ 2.277330</u>	<u>\$ 1.920830</u>	<u>\$ 2.018320</u>	<u>\$ 2.031060</u>

Note: The basis for property tax rates is per \$100 of the assessed valuation.

Source: Tax department records of the various governments.

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 0.539760	\$ 0.539760	\$ 0.539760	\$ 0.512843	\$ 0.487843	\$ 0.356160
-	-	-	-	-	0.093840
<u>\$ 0.539760</u>	<u>\$ 0.539760</u>	<u>\$ 0.539760</u>	<u>\$ 0.512843</u>	<u>\$ 0.487843</u>	<u>\$ 0.450000</u>
\$ 1.394500	\$ 1.394500	\$ 1.394500	\$ 1.394500	\$ 1.394500	\$ 1.394500
0.391170	0.400210	0.414550	0.414550	0.417310	0.419230
0.028090	0.028090	0.028270	0.028270	0.027360	0.027330
0.018560	0.019520	0.017160	0.017160	0.015310	0.013420
0.192160	0.182160	0.170000	0.170000	0.170000	0.170000
0.006580	0.006620	0.006360	0.006358	0.005999	0.005422
<u>\$ 2.031060</u>	<u>\$ 2.031100</u>	<u>\$ 2.030840</u>	<u>\$ 2.030838</u>	<u>\$ 2.030479</u>	<u>\$ 2.029902</u>

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CITY OF SPRING VALLEY VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2016			2007		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Ten Voss Ltd	\$ 21,651,944	1	2.21%	\$ 34,701,203	1	7.16%
Campbell Project Partners LLC	21,074,820	2	2.15%	-	-	-
HD Development Properties	19,781,840	3	2.02%	14,293,339	2	2.95%
Spring Valley One Center Ltd	16,971,347	4	1.73%	-	-	-
SV Physician Properties I LP	14,178,000	5	1.45%	-	-	-
Memorial Design Center Ltd	10,496,597	6	1.07%	-	-	-
Southwestern Bell	9,012,191	7	0.92%	13,630,076	3	2.81%
Managed Rehabilitation Inc	7,677,757	8	0.78%	3,225,165	8	0.67%
Wellington Fidelis Campbell I LP	6,667,560	9	0.68%	-	-	-
Spring Valley Shopping Center II Ltd	5,056,250	10	0.52%	-	-	-
Memorial MRI & Diagnostic	-	-	-	3,293,691	7	0.68%
Kish Komie LP	-	-	-	2,150,350	9	0.44%
Schlumberger Inc	-	-	-	1,866,868	10	0.39%
Campbell I10 Ltd	-	-	-	5,687,825	5	1.17%
Stiffel-Schwab Builders LLC	-	-	-	6,871,097	4	1.42%
Wilson Investments	-	-	-	5,240,000	6	1.08%
Subtotal	132,568,306		13.55%	90,959,614		18.77%
Other Taxpayers	846,107,750		86.45%	393,545,775		81.23%
Total ⁽¹⁾	\$ 978,676,056		100.00%	\$ 484,505,389		100.00%

Source: Tax department of the Spring Branch ISD.

(1) Net of exemptions and abatements

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CITY OF SPRING VALLEY VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collected	Total Collections to Date	
				Amount Collected	Percentage of Levy	Amount Collected	Amount Collected	Percentage of Levy
2007	2006	\$ 0.524394	\$ 2,538,266	\$ 2,521,689	99.35%	\$ 16,170	\$ 2,537,859	99.98%
2008	2007	\$ 0.565000	\$ 3,114,260	\$ 3,053,499	98.05%	\$ 60,320	\$ 3,113,819	99.99%
2009	2008	\$ 0.548659	\$ 3,257,243	\$ 3,237,636	99.40%	\$ 18,102	\$ 3,255,738	99.95%
2010	2009	\$ 0.539760	\$ 3,464,268	\$ 3,433,357	99.11%	\$ 28,535	\$ 3,461,892	99.93%
2011	2010	\$ 0.539760	\$ 3,525,346	\$ 3,499,080	99.25%	\$ 24,494	\$ 3,523,574	99.95%
2012	2011	\$ 0.539760	\$ 3,681,702	\$ 3,663,573	99.51%	\$ 16,013	\$ 3,679,586	99.94%
2013	2012	\$ 0.539760	\$ 3,795,231	\$ 3,770,251	99.34%	\$ 22,718	\$ 3,792,969	99.94%
2014	2013	\$ 0.512843	\$ 3,893,084	\$ 3,881,284	99.70%	\$ 7,747	\$ 3,889,031	99.90%
2015	2014	\$ 0.487843	\$ 4,212,362	\$ 4,100,837	97.35%	\$ 24,979	\$ 4,125,816	97.95%
2016	2015	\$ 0.450000	\$ 4,404,650	\$ 4,392,632	99.73%	\$ 91,129	\$ 4,483,761	101.80%

Source: Tax department of the Spring Branch ISD.

CITY OF SPRING VALLEY VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
Tax notes	\$ -	\$ -	\$ -	\$ -
General obligation bonds	-	-	-	-
Capital leases	135,466	82,994	28,253	-
Subtotal	<u>135,466</u>	<u>82,994</u>	<u>28,253</u>	<u>-</u>
Business-Type Activities:				
Revenue bonds	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government-Wide:				
Tax notes	-	-	-	-
Revenue bonds	-	-	-	-
General obligation bonds	-	-	-	-
Capital leases	135,466	82,994	28,253	-
Total Government-Wide	<u>\$ 135,466</u>	<u>\$ 82,994</u>	<u>\$ 28,253</u>	<u>-</u>
Estimated Full Property Value	\$ 659,178,561	\$ 741,402,152	\$ 831,506,659	\$ 894,049,661
Percentage of Full Property Value:				
Government-wide	0.02%	0.01%	0.00%	-
Population	3,615	3,700	3,710	3,715
Debt Per Capita:				
Governmental activities	\$ 37	\$ 22	\$ 8	\$ -
Government-wide	\$ 37	\$ 22	\$ 8	\$ -

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	13,602,965	13,196,567
-	-	-	-	-	-
-	-	-	-	13,602,965	13,196,567
-	-	-	3,000,000	2,835,000	2,665,000
-	-	-	3,000,000	2,835,000	2,665,000
-	-	-	-	-	-
-	-	-	3,000,000	2,835,000	2,665,000
-	-	-	-	13,602,965	13,196,567
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 16,437,965</u>	<u>\$ 15,861,567</u>
\$ 908,850,016	\$ 940,261,861	\$ 964,583,650	\$ 1,039,561,121	\$ 1,176,971,243	\$ 1,333,815,228
-	-	-	0.29%	1.40%	1.19%
3,843	3,941	3,852	4,013	4,135	4,191
\$ -	\$ -	\$ -	\$ -	\$ 3,259	\$ 3,215
\$ -	\$ -	\$ -	\$ 748	\$ 3,944	\$ 3,892

CITY OF SPRING VALLEY VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Estimated Actual Taxable Value of Property	\$ 484,505,389	\$ 547,686,817	\$ 595,466,742	\$ 641,610,978
Net Bonded Debt				
Gross bonded debt	\$ -	\$ -	\$ -	\$ -
Less: amounts available in debt service fund	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Percentage of Estimated Actual Taxable Value of Property	-	-	-	-
Population	3,615	3,700	3,710	3,715
Per Capita	\$ -	\$ -	\$ -	\$ -

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 653,209,276	\$ 682,033,413	\$ 702,977,603	\$ 759,529,059	\$ 864,379,143	\$ 978,676,056
\$ -	\$ -	\$ -	\$ -	\$ 13,602,965	\$ 13,196,567
-	-	-	-	(4,749)	-
\$ -	\$ -	\$ -	\$ -	\$ 13,598,216	\$ 13,196,567
-	-	-	-	1.57%	1.35%
3,843	3,941	3,852	4,013	4,135	4,191
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,149

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CITY OF SPRING VALLEY VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2016

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Spring Branch Independent School District	\$ 677,900,000	3.820%	\$ 25,895,780
Harris County	\$ 2,421,235,464	0.280%	6,779,459
Harris County Flood Control District	\$ 83,075,000	0.280%	232,610
Harris Co Hosp Dist	\$ 62,815,000	0.280%	175,882
Harris County Department of Education	\$ 7,000,000	0.280%	19,600
Port of Houston Authority	\$ 674,269,397	0.280%	1,887,954
Subtotal, overlapping debt			<u>34,991,286</u>
City Direct Debt	\$ 13,196,567	100.00%	<u>13,196,567</u>
Total Direct and Overlapping Debt			<u><u>\$ 48,187,853</u></u>

Source: Municipal Advisory Council of Texas

CITY OF SPRING VALLEY VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Debt limit ⁽¹⁾	\$ 48,450,539	\$ 54,768,682	\$ 83,150,666	\$ 64,161,098
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 48,450,539</u>	<u>\$ 54,768,682</u>	<u>\$ 83,150,666</u>	<u>\$ 64,161,098</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-
Legal Debt Margin Calculation				
Assessed value	\$ 484,505,389	\$ 547,686,817	\$ 831,506,659	\$ 641,610,978
Debt limit (10% of assessed value)	48,450,539	54,768,682	83,150,666	64,161,098
Debt applicable to limit:				
Gross bonded debt	-	-	-	-
Less: amount set aside for repayment of general obligation debt	-	-	-	-
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 48,450,539</u>	<u>\$ 54,768,682</u>	<u>\$ 83,150,666</u>	<u>\$ 64,161,098</u>

(1) Note: There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.50 per \$100 valuation assessed at 100% of the market value. Ten percent (10%) of the assessed value has been applied as a "rule of thumb" procedure.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 65,329,028	\$ 68,203,341	\$ 70,297,760	\$ 75,952,906	\$ 86,437,914	\$ 97,867,606
-	-	-	-	13,598,216	13,196,567
<u>\$ 65,329,028</u>	<u>\$ 68,203,341</u>	<u>\$ 70,297,760</u>	<u>\$ 75,952,906</u>	<u>\$ 72,839,698</u>	<u>\$ 84,671,039</u>
-	-	-	-	15.58%	13.48%
\$ 653,290,276	\$ 682,033,413	\$ 702,977,603	\$ 759,529,059	\$ 864,379,143	\$ 978,676,056
65,329,028	68,203,341	70,297,760	75,952,906	86,437,914	97,867,606
-	-	-	-	13,602,965	13,196,567
-	-	-	-	(4,749)	-
-	-	-	-	13,598,216	13,196,567
<u>\$ 65,329,028</u>	<u>\$ 68,203,341</u>	<u>\$ 70,297,760</u>	<u>\$ 75,952,906</u>	<u>\$ 72,839,698</u>	<u>\$ 84,671,039</u>

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CITY OF SPRING VALLEY VILLAGE, TEXAS

PLEGGED-REVENUE COVERAGE

Last Ten Years*

	Fiscal Year		
	2014	2015	2016
Gross Revenues (1)	\$ 2,753,885	\$ 2,708,164	\$ 2,746,922
Operating Expenses (2)	\$ 2,146,586	2,059,433	2,297,918
Net Revenues Available for Debt Service	\$ 607,299	\$ 648,731	\$ 449,004
Debt Service Requirements (3)			
Principal	\$ 165,000	\$ 170,000	\$ 175,000
Interest	78,000	74,561	70,090
Total	\$ 243,900	\$ 244,561	\$ 245,090
Coverage	2.49	2.65	1.83

(1) Gross revenues as defined in the revenue bond ordinances include operating and nonoperating revenue and exclude capital contributions, grant revenues, and capital recovery fees.

(2) Total operating expenses as defined in the revenue bond ordinances do not include amortization, bond interest, and fiscal charges.

(3) Debt service requirements are based on the expected debt service payments for the following fiscal year.

*The City did not have revenue bonds prior to fiscal year 2014.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Sept. 30	Population ⁽¹⁾	Personal Income ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Median Age ⁽¹⁾	Public School Enrollment ⁽²⁾	Unemployment Rate ⁽¹⁾	Education Level
							in Years of Formal Schooling ⁽¹⁾
2007	3,615	N/A	N/A	N/A	914	N/A	N/A
2008	3,700	N/A	N/A	N/A	905	N/A	N/A
2009	3,710	N/A	N/A	N/A	813	N/A	N/A
2010	3,715	N/A	N/A	N/A	773	N/A	N/A
2011	3,843	N/A	N/A	N/A	812	N/A	N/A
2012	3,941	N/A	N/A	N/A	839	N/A	N/A
2013	3,852	N/A	N/A	N/A	732	N/A	N/A
2014	4,013	\$ 266,584	\$ 66,430	44.0	905	4.7%	78%
2015	4,142	\$ 266,584	\$ 68,839	43.0	910	4.7%	79%
2016	4,191	\$ 201,496	\$ 75,372	42.0	280	1.2%	78%

Data sources:

(1) Colliers International Estimate

(2) Spring Branch ISD

School Enrollment Numbers are lower due to demolition and construction of new school facility in Spring Valley
Enrollment is for the Pre-K center only

Information not presented is not available.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

Current Year and One Year Ago

Employer	2016			2015		
	Percentage of Total			Percentage of Total		
	Employees	Employment ⁽¹⁾	Rank	Employees	Employment ⁽¹⁾	Rank
Spring Branch ISD	281	37.72%	1	126	23.16%	2
Home Depot	154	20.67%	2	153	28.13%	1
East West Bank	63	8.46%	3	n/a	n/a	n/a
DTK	40	5.37%	4	75	13.79%	3
Spring Branch Presbyterian Church	39	5.23%	5	40	7.35%	4
Stoller Group	36	4.83%	6	n/a	n/a	n/a
Starbucks Corporation	35	4.70%	7	35	6.43%	5
SSI	35	4.70%	8	25	4.60%	8
Houston Plastic & Caraniofacial Surgeons	34	4.56%	9	n/a	n/a	n/a
Specs	28	3.76%	10	26	4.78%	7
Pueblo Viejo	n/a	n/a	n/a	35	6.43%	6
Premier Technology Group	n/a	n/a	n/a	15	2.76%	9
Human Chef	n/a	n/a	n/a	14	2.57%	10
	745	100.00%		544	100.00%	

Source: Human Resource Department of each company

Note: The requirement is for the current year and nine years ago;
however, only the current year and one year ago information is available.

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CITY OF SPRING VALLEY VILLAGE, TEXAS

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Governmental Activities:</u>										
General government	8	8	8	8	8	8	8	8	8	8
Public safety	21	21	21	21	21	21	23	23	24	24
Public works	2	2	2	2	2	2	3	3	3	3
<u>Business-Type Activities:</u>										
Water, sewer, and solid waste	4	4	4	4	4	4	4	4	4	4
Total City Positions	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>38</u>	<u>38</u>	<u>39</u>	<u>39</u>

Source: City Finance Department

CITY OF SPRING VALLEY VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
City of Spring Valley Village				
Budgeted full-time employees	35	35	35	35
Function				
Police				
Arrests	NA	595	708	540
Accident reports	NA	230	148	124
Citations	NA	4,374	4,162	5,655
Offense reports	NA	1,286	1,222	1,082
Calls for service	NA	12,676	15,227	15,922
Municipal court				
Traffic violations	6,457	7,397	6,566	8,093
Non-traffic violations	205	249	175	225
Community Development				
Residential building permits issued	48	47	21	36
Residential building permits-value	\$ 17,005,400	\$ 18,247,972	\$ 7,726,877	\$ 13,518,000
Commercial building permits issued	6	5	3	11
Commercial building permits-value	\$ 157,003	\$ 736,550	\$ 127,000	\$ 1,061,000
Water				
Average daily gallons pumped-combined water (millions of gallons)	0.56	0.65	0.71	0.74
Average daily gallons pumped-surface water (millions of gallons)	-	-	0.01	0.16
Average daily gallons pumped-well water (millions of gallons)	0.56	0.65	0.70	0.58
Number of connections	1,419	1,442	1,439	2,041

Source: Various City departments

Fiscal Year						
2011	2012	2013	2014	2015	2016	
35	35	38	39	39	39	
402	293	508	719	697	460	
125	134	155	160	165	157	
5,760	4,137	5,190	8,043	8,061	4,417	
918	988	1,183	1,530	1,094	962	
21,838	22,587	19,560	36,254	59,646	33,351	
5,714	3,725	9,585	12,352	8,519	5,147	
470	484	302	1,472	1	528	
32	23	38	19	29	37	
\$ 13,813,000	\$ 10,681,000	\$ 17,061,800	\$ 9,353,990	\$ 16,780,178	\$ 21,569,270	
11	12	15	9	12	30	
\$ 496,084	\$ 742,000	\$ 1,090,500	\$ 1,343,000	\$ 47,985,000	\$ 58,788,170	
0.95	0.78	0.79	0.71	0.68	0.72	
0.02	-	0.05	-	0.05	0.40	
0.93	0.78	0.75	0.71	0.68	0.32	
2,059	2,045	2,130	2,135	2,137	2,227	

CITY OF SPRING VALLEY VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function	Fical Year			
	2007	2008	2009	2010
General government				
Municipal buildings	1	1	1	1
Public safety				
Police protection				
Stations	1	1	1	1
Public works				
Streets (lane miles)	-	-	-	-
Community services				
Parks	-	-	-	-
Pavilions	-	-	-	-
Park acreage developed	-	-	-	-
Water				
Water wells	1	1	1	1
Ground/elevated storage tanks	-	-	-	-
Water mains (miles)	-	-	-	-
Fire hydrants	153	153	153	157
Wastewater				
Sanitary sewers (miles)	-	-	-	-
Sewer manholes	-	-	-	-

Source: Various City departments

Fical Year						
2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1
1	1	1	1	1	1	1
-	-	-	20.01	20.01	20.01	20.01
-	-	-	1	1	1	1
-	-	-	1	1	1	1
-	-	-	2.62	2.62	2.62	2.62
1	1	1	1	1	1	1
-	-	-	3	3	3	3
-	-	-	26	26	26	26
157	157	157	157	157	157	206
-	-	-	16	16	16	16
-	-	-	389	389	389	389

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