

Village of Bee Cave, Texas

**Independent Auditors' Report
and Financial Statements**

**For the Year Ended
September 30, 2006**

Preston Singleton, CPA, PC
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**VILLAGE OF BEE CAVE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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Independent Auditors' Report

Honorable Mayor and Aldermen
Village of Bee Cave, Texas
13333-A Highway 71 W.
Bee Cave, Texas 78738

Mayor and Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Bee Cave, Texas, (the "Village") as of and for the year ended September 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's administrators. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Village as of September 30, 2005, were audited by other auditors whose report dated December 12, 2005, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Bee Cave, Texas, as of September 30, 2006, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3-8 of this report is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Preston Singleton, CPA, P.C.

Preston Singleton, CPA, P.C.
Round Rock, Texas

December 13, 2006

VILLAGE OF BEE CAVE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Village of Bee Cave's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended September 30, 2006. Please read it in conjunction with the Village of Bee Cave's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2006, the General Fund of the Village of Bee Cave experienced a fund balance increase of approximately \$549 thousand, to end close to \$3.4 million.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund) of the Village of Bee Cave reported an overall fund balance increase of approximately \$1.26 million. This increase includes \$300 thousand in maintenance tax notes issued during the year.
- The total cost of the Village of Bee Cave's programs was \$2.9 million. This amount is inclusive of depreciation expense recorded on the capital assets of the Village.

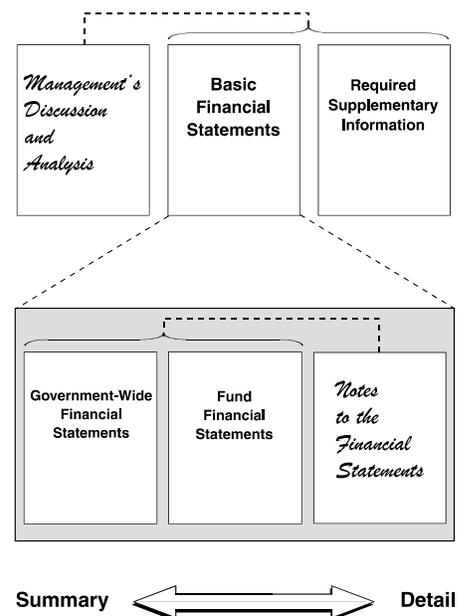
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the Village of Bee Cave:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village of Bee Cave's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Village of Bee Cave's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the Village's Annual Financial Report



Government-wide Statements

The government-wide statements report information about the Village of Bee Cave as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Village of Bee Cave's net assets and how they have changed. Net assets - the difference between the Village of Bee Cave's assets and liabilities- is one way to measure the Village of Bee Cave's financial health or position. Over time, increases or decreases in the Village of Bee Cave's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Village of Bee Cave include the *governmental activities*. Most of the Village of Bee Cave's basic services are included here, such as building inspection and development, code enforcement, municipal court and general administration. Sales and property taxes finance most of these activities.

FINANCIAL ANALYSIS OF THE VILLAGE OF BEE CAVE AS A WHOLE

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the Village's governmental activities.

Table I
Net Assets
(in thousands of dollars)

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 6,177	\$ 3,729
Capital Assets	10,659	1,476
Total Assets	<u>16,836</u>	<u>5,205</u>
Liabilities		
Current liabilities	1,494	295
Long-term Liabilities	300	-
Total Liabilities	<u>1,794</u>	<u>295</u>
Net Assets		
Invested in Capital Assets, Net of Debt	10,659	1,477
Restricted	1,496	599
Unrestricted	2,887	2,834
Total Net Assets	<u>\$ 15,042</u>	<u>\$ 4,910</u>

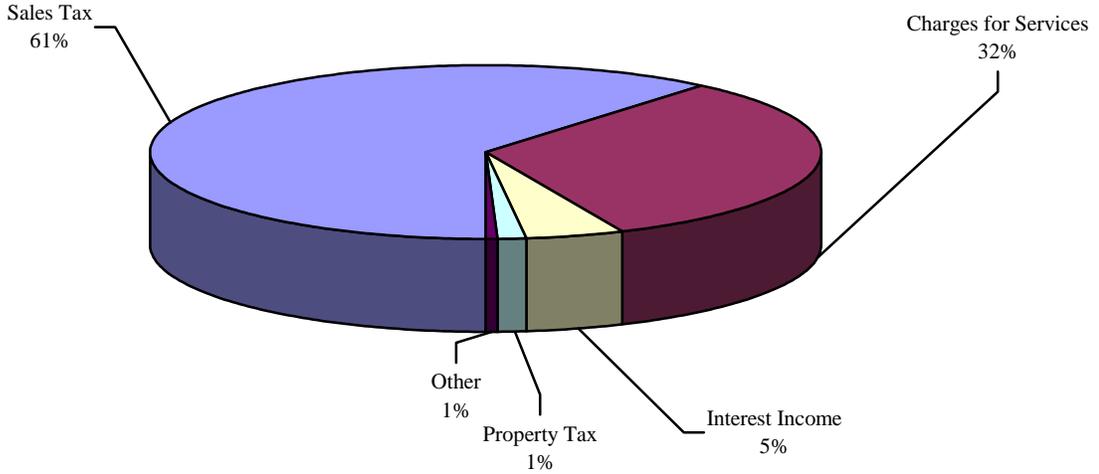
Table II
Changes in Net Assets
(in thousands of dollars)

	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for services	\$ 1,633	\$ 503
General Revenues:		
Sales tax	3,076	2,058
Property tax	65	220
Grants and contributions	8,000	-
Investment earnings	240	82
Other	28	122
Total Revenues	13,041	2,985
Expenses		
General government	981	1,299
Public safety	639	510
Highways and streets	8	36
Community services	980	-
Parks and recreation	298	387
Interest payments	-	1
Debt issuances costs	3	-
Total Expenses	2,909	2,233
Transfers in / (out)	-	221
Change in Net Assets	10,132	973
Beginning Net Assets	4,910	4,260
Prior Period Adjustment	-	(323)
Ending Net Assets	\$ 15,042	\$ 4,910

Governmental Activities

As indicated by the chart on the following page, the Village of Bee Cave's revenue stream is supported primarily by Sales Tax, representing approximately 61% of the total revenue for FY 2005-06. For purposes of this revenue analysis, the revenue recorded in the amount of \$8,000,000 for land donated to the Village during the year has been excluded. The other significant portion, 32%, of the Village of Bee Cave's revenue comes from charges for services such as Building & Development fees, Inspections and Contractor registrations. The Village of Bee Cave's fiscal year 2005-06 property tax rate is \$0.02 per \$100 property valuation.

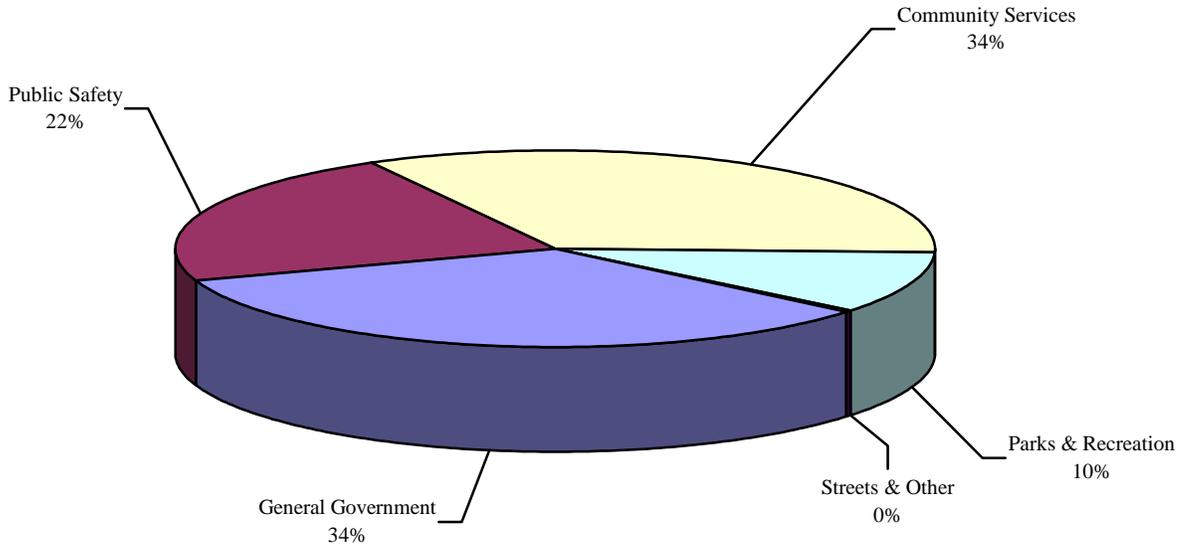
FY 2005-06 Revenue



Program Expenses

The Village of Bee Cave's various program expenses totaled \$2.9 million for the year ended September 30, 2006. The percentage distribution by program function is illustrated in the table below.

FY 2005-06 Expenditures



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006 the Village of Bee Cave had invested \$10.7 million in a broad range of capital assets, including land, equipment and buildings. (See table below.) This amount is net of accumulated depreciation and represents an increase of \$9.2 million over the prior year. The majority of the increase over the previous year is due to a donation of land received during the year with an estimated value of \$8 million. Given the organizational growth on our immediate horizon, we will continue to see a substantial increase in capital assets.

	<u>2006</u>	<u>2005</u>
<u>Fixed Assets</u>		
Land	\$ 9,576,752	\$ 162,500
Buildings and Improvements	745,114	738,098
Furniture, Equipment and Vehicles	446,470	438,664
Construction in Progress	<u>217,882</u>	<u>414,149</u>
	10,986,218	1,753,411
Less accumulated depreciation	<u>(327,311)</u>	<u>(276,629)</u>
Net Fixed Assets	<u>\$ 10,658,907</u>	<u>\$ 1,476,782</u>

Long Term Debt

During the year, the Village of Bee Cave issued \$300,000 in Maintenance Tax Notes, Series 2006, for site improvements in the Village Hall Complex. At year end no principal payments had yet been made and the total outstanding debt of the Village as of September 30, 2006 was \$300,000.

Financial Analysis of Governmental Funds

Fund balance of the General Fund increased during the year by \$549 thousand. Sales Tax revenue comprises a significant portion of our revenue stream. While our fiscal year total fell short of projected forecasts, sales tax revenue increased over \$880 thousand from prior year. Overall revenue increased almost \$2M. Residential and non-residential development projects continue significant growth trends which directly impacted costs for engineering services. Expenditures increased overall as our new Public Library and Police Department began full-time operational activity. Of particular significance on our net assets is the addition of our 50 acre Central Park which the Village of Bee Cave received as a part of the Hill Country Galleria development agreement.

Fund balance of the Road Maintenance Fund increased during the year by \$434 thousand. No significant road maintenance projects, maintenance and repair were completed during FY 2005-06; however, the Bee Cave Economic Development Corporation, using 4B sales tax revenue, completed preliminary design engineering for the construction of the Hamilton Pool Road extension. Total expenses for this component unit for FY-ending 9/30/2006 are \$110,609.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

FY 2006-07 maintenance and operating expenses are projected to decrease slightly overall; however, salaries and benefit cost increases reflect the addition of full-time employees in our new departments. Since opening in November, 2005, the Bee Cave Public Library has more than 10,000 volumes with annual circulation of 31,000 items. The Police Department responded to more than 3,000 calls for service during their first full year of operation. Both departments have contributed greatly to further establishing the identity of our customer-service oriented organization.

Professional service contracts for the cost of legal services have been reduced and are being budgeted as a separate department unit. Pending litigation issues in prior years have been resolved. With significant non-residential development underway in the Shops and Hill Country Galleria, we employ professional service contracts to oversee important corresponding infrastructure projects. These projects include the new Bee Cave Parkway and the widening of SH 71. Since engineering fees exceeded projections for the prior fiscal year, we forecast increases in FY 2006-07 accordingly.

FY 2006-07 projected capital outlay expenses focus on parks, open space, land acquisition and infrastructure investment. Of primary significance is the new city hall which we will occupy in late 2007. We have budgeted for the expansion of our local and wide area networks as well as the development of our GIS base maps and document imaging systems. Capital investments in these important programs ensure the Village of Bee Cave makes effective and efficient use of technology which results in improved customer service.

CONTACTING THE VILLAGE OF BEE CAVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village of Bee Cave's finances and to demonstrate the Village of Bee Cave's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Bee Cave's Administrator, James Fisher or the Assistant Administrator Travis Askey @ 512-767-6612. Visit the Village of Bee Cave's website at www.beecavetexas.com.

VILLAGE OF BEE CAVE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

EXHIBIT A-1

Data Control Codes	Primary Government	Component Unit 4B Economic Dev. Corporation
	Governmental Activities	
ASSETS		
1010 Cash and Cash Equivalents	\$ 5,882,361	\$ 661,914
1150 Receivables (net of allowance for uncollectibles)	288,079	40,801
1450 Capitalized Debt Issuance Costs	6,333	-
Capital Assets:		
1710 Land	9,576,752	-
1730 Buildings, net	605,123	-
1750 Machinery and Equipment, net	259,149	-
1780 Construction in Progress	217,882	-
1000 Total Assets	<u>16,835,679</u>	<u>702,715</u>
LIABILITIES		
2020 Accounts Payable and other current liabilities	1,219,120	25,834
2070 Intergovernmental Payable	269,194	-
2270 Other Current Liabilities	5,249	-
Noncurrent Liabilities		
2501 Due Within One Year	100,000	-
2502 Due in More Than One Year	200,000	-
2000 Total Liabilities	<u>1,793,563</u>	<u>25,834</u>
NET ASSETS		
3200 Invested in Capital Assets, Net of Related Debt	10,658,906	-
Restricted for:		
3810 Restricted for Debt Service	66,425	-
3820 Restricted for Road Maintenance	590,266	-
3830 Restricted for Economic Development	230,169	676,881
3840 Restricted for Capital Projects	290,893	-
3890 Restricted for Other Purposes	317,837	-
3900 Unrestricted Net Assets	2,887,620	-
3000 Total Net Assets	<u>\$ 15,042,116</u>	<u>\$ 676,881</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF BEE CAVE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Data Control Codes		Expenses	<u>Program Revenues</u> Charges for Services
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
10	General Government	\$ 981,339	\$ 1,557,930
20	Public Safety	638,983	70,664
31	Highways and Streets	8,241	-
41	Community Services	979,391	-
50	Parks and Recreation	297,674	2,931
65	Economic Development and Assistance	-	-
76	Issuance Costs	3,167	-
	TOTAL PRIMARY GOVERNMENT:	\$ 2,908,795	\$ 1,631,525
Component Unit:			
1991	4B Economic Development Corporation	\$ 110,609	\$ -
	TOTAL COMPONENT UNIT:	\$ 110,609	\$ -

Data Control Codes	
General Revenues:	
Taxes:	
5010	Property Taxes, Levied for General Purposes
5120	Sales Taxes
5170	Franchise Taxes
5190	Penalty and Interest
5600	Grants and Contributions Not Restricted
5700	Miscellaneous Revenue
5800	Investment Earnings
S1	Special Item - Asset Reclassification
	Total General Revenues and Special Items
	Change in Net Assets
	Net Assets--Beginning
	Net Assets--Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary	Government	Component Unit
		4B
	Governmental Activities	Economic Dev. Corporation
\$	576,591	\$ -
	(568,319)	-
	(8,241)	-
	(979,391)	-
	(294,743)	-
	-	110,609
	(3,167)	-
	<u>(1,277,270)</u>	<u>110,609</u>
	-	(110,609)
	-	<u>(110,609)</u>
	61,205	-
	3,075,896	439,414
	52,774	-
	3,311	-
	8,000,000	-
	13,073	-
	240,247	-
	(37,133)	-
	<u>11,409,373</u>	<u>439,414</u>
	10,132,103	328,805
	4,910,013	348,076
\$	<u>15,042,116</u>	<u>\$ 676,881</u>

VILLAGE OF BEE CAVE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

Data Control Codes	10 General Fund	Municipal Court	Road Maintenance
ASSETS			
1010 Cash and Cash Equivalents	\$ 4,579,030	\$ 180,027	\$ 531,317
1050 Taxes Receivable	2,605	-	-
1051 Allowance for Uncollectible Taxes (credit)	(130)	-	-
1150 Receivables (net of allowance for uncollectibles)	244,804	-	40,800
1300 Due from Other Funds	-	-	18,149
1000 Total Assets	<u>\$ 4,826,309</u>	<u>\$ 180,027</u>	<u>\$ 590,266</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2010 Accounts Payable	\$ 1,158,440	\$ 18,667	\$ -
2020 Wages and Salaries Payable	36,123	1,390	-
2070 Intergovernmental Payable	241,653	27,541	-
2080 Due to Other Funds	18,149	-	-
2220 Deferred Revenues	2,475	-	-
2270 Other Current Liabilities	1,146	4,103	-
2000 Total Liabilities	<u>1,457,986</u>	<u>51,701</u>	<u>-</u>
Fund Balances:			
Reserved For:			
3410 Debt Service	-	-	-
3420 Road Maintenance	-	-	590,266
3430 Municipal Court	-	128,326	-
3440 Contingencies	35,000	-	-
3450 Beautification	154,511	-	-
3460 Economic Development	-	-	-
3490 Capital Projects	-	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	3,178,812	-	-
3000 Total Fund Balances	<u>3,368,323</u>	<u>128,326</u>	<u>590,266</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,826,309</u>	<u>\$ 180,027</u>	<u>\$ 590,266</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 591,987	\$ 5,882,361
-	2,605
-	(130)
-	285,604
9,500	27,649
<u>\$ 601,487</u>	<u>\$ 6,198,089</u>
\$ 4,500	\$ 1,181,607
-	37,513
-	269,194
9,500	27,649
-	2,475
-	5,249
<u>14,000</u>	<u>1,523,687</u>
66,425	66,425
-	590,266
-	128,326
-	35,000
-	154,511
230,169	230,169
290,893	290,893
-	3,178,812
<u>587,487</u>	<u>4,674,402</u>
<u>\$ 601,487</u>	<u>\$ 6,198,089</u>

VILLAGE OF BEE CAVE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

Total Fund Balances - Governmental Funds	\$	4,674,402
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,753,411 and the accumulated depreciation was \$276,629. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		1,476,782
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2006 capital outlays and debt principal payments is to increase (decrease) net assets.		8,989,925
The 2006 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(101,468)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		2,475
Net Assets of Governmental Activities	<u>\$</u>	<u>15,042,116</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF BEE CAVE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Data Control Codes	10 General Fund	Municipal Court	Road Maintenance
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 72,993	\$ -	\$ -
5120 General Sales and Use Taxes	2,636,482	-	439,414
5170 Franchise Tax	52,774	-	-
5190 Penalty and Interest on Taxes	3,311	-	-
5200 Licenses and Permits	1,480,282	-	-
5400 Charges for Services	60,198	21,381	-
5510 Fines	-	70,664	-
5610 Investment Earnings	239,854	-	-
5640 Contributions & Donations from Private Sources	8,000,000	-	-
5700 Other Revenue	12,632	(559)	-
5020 Total Revenues	12,558,526	91,486	439,414
EXPENDITURES:			
Current:			
0010 General Government	1,070,195	109,655	5,594
0020 Public Safety	702,053	-	-
0031 Highways and Streets	14,891	-	-
0040 Community Services	955,877	-	-
0050 Parks and Recreation	9,266,620	-	-
Debt Service:			
0076 Issuance Costs	-	-	-
6030 Total Expenditures	12,009,636	109,655	5,594
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	548,890	(18,169)	433,820
OTHER FINANCING SOURCES (USES):			
7914 Non-Current Loans	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
1200 Net Change in Fund Balances	548,890	(18,169)	433,820
0100 Fund Balance - October 1 (Beginning)	2,819,433	146,495	156,446
3000 Fund Balance - September 30 (Ending)	\$ 3,368,323	\$ 128,326	\$ 590,266

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ -	\$ 72,993
-	3,075,896
-	52,774
-	3,311
-	1,480,282
-	81,579
-	70,664
393	240,247
-	8,000,000
-	12,073
393	13,089,819
-	1,185,444
-	702,053
-	14,891
-	955,877
-	9,266,620
9,500	9,500
9,500	12,134,385
(9,107)	955,434
300,000	300,000
300,000	300,000
290,893	1,255,434
296,594	3,418,968
\$ 587,487	\$ 4,674,402

VILLAGE OF BEE CAVE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Total Net Change in Fund Balances - Governmental Funds	\$	1,255,434
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2006 capital outlays and debt principal payments is to increase (decrease) net assets.		8,989,925
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(101,468)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(11,788)
Change in Net Assets of Governmental Activities	\$	10,132,103

The accompanying notes are an integral part of this statement.

VILLAGE OF BEE CAVE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 61,400	\$ 61,400	\$ 72,993	\$ 11,593
5120	General Sales and Use Taxes	3,600,000	3,600,000	2,636,482	(963,518)
5170	Franchise Tax	50,000	50,000	52,774	2,774
5190	Penalty and Interest on Taxes	-	-	3,311	3,311
5200	Licenses and Permits	1,500,000	1,500,000	1,480,282	(19,718)
5400	Charges for Services	34,000	34,000	60,198	26,198
5610	Investment Earnings	125,000	125,000	239,854	114,854
5640	Contributions & Donations from Private Sources	-	-	8,000,000	8,000,000
5700	Other Revenue	7,500	7,500	12,632	5,132
5020	Total Revenues	5,377,900	5,377,900	12,558,526	7,180,626
EXPENDITURES:					
Current:					
0010	General Government	1,768,800	1,768,800	-	1,768,800
0011	Legislative	89,951	89,951	28,408	61,543
0014	Elections	-	-	2,721	(2,721)
0015	Financial Administration	810,783	810,783	1,039,066	(228,283)
Public Safety:					
0021	Police	883,435	883,435	702,053	181,382
0031	Highways and Streets	-	-	14,891	(14,891)
0040	Community Services	649,553	649,553	955,877	(306,324)
Culture and Recreation:					
0052	Parks	-	-	9,084,912	(9,084,912)
0055	Libraries	184,690	184,690	181,708	2,982
6030	Total Expenditures	4,387,212	4,387,212	12,009,636	(7,622,424)
1200	Net Change	990,688	990,688	548,890	(441,798)
0100	Fund Balance - October 1 (Beginning)	2,819,433	2,819,433	2,819,433	-
3000	Fund Balance - September 30 (Ending)	\$ 3,810,121	\$ 3,810,121	\$ 3,368,323	\$ (441,798)

The accompanying notes are an integral part of this statement.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Village of Bee Cave, Texas (the "Village") is a municipal corporation incorporated as a Type A General Law government. The Village operates under a Mayor and Board of Alderman ("Board") form of government and provides such services as are authorized by the Texas Local Government Code to advance the welfare, health, morals, comfort, safety and convenience of the Village and its inhabitants. The Village prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas's uniform accounting requirements and the requirements of contracts and grants of agencies from which it receives funds.

The Mayor and Board of Aldermen are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the Village is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the Village is such that the exclusion would cause the Village's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, the following entity has been included in this report:

4B Economic Community Development Corporation (EDC) – Although the EDC is reported as if it were part of the primary government because the Village serves in an administrative capacity for the EDC, and the EDC provides services almost exclusively for the benefit of the primary government. The EDC is authorized to act on behalf of the Village in order to encourage the promotion and development of community, commercial, industrial and manufacturing enterprises within the area. The EDC is funded primarily through a ¼ cent sales tax approved by the voters of the Village. EDC financial statements are presented on the full accrual basis of accounting. Copies of their financial information may be obtained by contacting the Village of Bee Cave, 13333-A, Hwy. 71 West, Bee Cave, Texas 78734. The EDC is discretely presented as a component unit. It is reported in a separate column to emphasize that it is legally separate from the primary government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Village of Bee Cave and 4B Developmental Fund activities with the interfund activities removed. Governmental activities include programs supported primarily by taxes and permit, licenses and donations.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Statement of Activities demonstrates how other people or entities that participate in programs have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Village. The “grants and contributions” columns include amounts paid by organizations outside the Village to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Village’s functions. Taxes are always general revenues.

All interfund transactions between governmental funds are eliminated on the government-wide statements. The fund statements provide reports on the financial condition and results of operations for governmental funds. The Village considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for the unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property and sales tax revenues are recognized when both measurable and available. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings and investments) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

D. FUND ACCOUNTING

Basis of Accounting

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein. They are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Village reports the following major governmental funds:

1. **General Fund** – The General Fund is the primary operating fund of the Village. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Road Maintenance Fund** – The Village accounts for resources which are restricted for the purpose of road maintenance expenditures in the Road Maintenance Fund.
3. **Municipal Court Fund** – The Village accounts for resources from court fees and fines in the Municipal Court Fund.

Additionally, the Village reports the following non-major fund types:

Governmental Funds:

1. **Special Revenue Funds** – The Village accounts for resources restricted to, or designated for, specific purposes by the Village or outside grantors in a special revenue fund in order to have more transparent accountability.
2. **Debt Service Fund** - The Village accounts for resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds in a debt service fund.

E. ACCRUED ABSENCES

The Village has recorded the value of earned but unused compensated absences (vacation) by employees as an accrued liability in Statement of Net Assets. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. There was a balance of \$16,865 in accrued compensated absences at September 30, 2006.

F. PROPERTY TAX

Property taxes are considered available when collected within the current period or expected to be collected soon. Property taxes are considered available when collected within the current period or expected to be enough thereafter to be used to pay liabilities of the current period. The Village levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2005, upon which the levy for the 2005-2006 fiscal year was based, was \$312,138,700. Taxes are delinquent if not paid by June 30th. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2006, to finance General Fund operations were \$0.0200 per \$100 valuation. Total tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2006, were 119% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The Village is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

G. FIXED ASSETS

Fixed assets, which include land, buildings and improvements, furniture and equipment, and infrastructure, are reported in the government-wide financial statements. Fixed assets are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Furniture and equipment purchased in excess of \$1,000 that has a useful life of one year or more are capitalized. Buildings and improvements and infrastructure are capitalized if the cost is in excess of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the assets lives are not capitalized.

Major capital outlay for fixed assets and improvements are capitalized as projects are constructed. For debt-financed fixed assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Fixed assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

Fixed assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each fixed assets class is as follows:

Building and improvements	25 years
Furniture and fixtures	7-10 years
Computers and equipment	3-5 years
Vehicles	3-5 years
Infrastructure (street, sidewalks, etc.)	10-50 years

H. ESTIMATES

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET

The Village of Bee Cave Board of Aldermen follows these procedures in establishing the budgets reflected in the financial statements. Thirty to sixty days prior to the beginning of each fiscal year, the Administrator submits to the Board of Aldermen a proposed budget for the fiscal year beginning on the following October 1. The operation budget includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons' comments concerning the budget are heard. The budget is legally enacted by the Village Board through passage of an ordinance prior to the beginning of the fiscal year. Any revisions that alter the budget appropriations of any fund must be approved by the Village Board. The level of control (level at which expenditures may not exceed budget) is the function, or department, level. Appropriations lapse at year-end and do not carry forward to future periods.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the Village must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the Village’s agent bank in an amount sufficient to protect Village funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At September 30, 2006, the carrying amount of the Village’s deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$558,931 and the bank balance was \$538,351.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Village to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Village to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Village to have independent auditors perform test procedures related to investment practices as provided by the Act. The Village is in substantial compliance with the requirements of the Act and with local policies. The Village’s investments were in temporary investment pools at September 30, 2006, which are included in cash and temporary investments on the combined balance sheet, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Logic	\$1,352,566	\$1,352,566
MBIA	1,346,643	1,346,643
TexPool	1,352,558	1,352,558
TexStar	<u>1,271,664</u>	<u>1,271,664</u>
	<u>\$5,323,430</u>	<u>\$5,323,431</u>

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Village's investments in pools are reported at an amount determined by their fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC and TexPool are not SEC registered. TexPool regulatory oversight is provided by the Texas State Comptroller's office. TexPool, MBIA, and LOGIC operate under the guidelines of the Texas Public Funds Investment Act. The fair value of the position in these pools is the same as the value of pool shares.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investments Act**, the Village has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2006 were covered by depository insurance or by pledged collateral held by the Village's agent bank in the Village's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the Village's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2006, TexPool's investments credit quality rating was AAAM (Standard & Poor's). LOGIC's investments had a rating of Aaa/MRI+ by Moody's, and the MBIA Texas CLASS was rated AAA by Fitch.

B. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the Village is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

C. INTERFUND BALANCES AND TRANSFERS

Short-term advances between funds are recorded a receivable (Due From) and payable (Due To) between the funds involved in the transaction. As of September 30, 2006, the Due From and Due To balances were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Due To Road Maintenance Fund	\$ -	\$ 18,149
	<u>-</u>	<u>18,149</u>
Road Maintenance Fund		
Due from General Fund	18,149	-
	<u>18,149</u>	<u>-</u>
Debt Service Fund		
Due from Capital Projects Fund	9,500	-
	<u>9,500</u>	<u>-</u>
Capital Projects Fund		
Due to Debt Service Fund	-	9,500
	<u>-</u>	<u>9,500</u>
Totals	<u>\$ 27,649</u>	<u>\$ 27,649</u>

Operating transfers are transactions of cash or other assets between funds that are intended to be permanent and not repaid. During the year there were no interfund transfers required.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2006, were as follows:

	<u>Property Taxes (net)</u>	<u>Sales Tax</u>	<u>Due From Other Funds</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 2,475	\$ 244,804	\$ -	\$ 247,279
Municipal Court Fund	-	-	-	-
Road Maintenance Fund	-	40,800	18,149	58,949
Non-Major Governmental Funds	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>9,500</u>
Total Governmental Activities	<u>\$ 2,475</u>	<u>\$ 285,604</u>	<u>\$ 27,649</u>	<u>\$ 315,728</u>

Payables at September 30, 2006 were as follows:

	<u>Accounts Payable</u>	<u>Wages and Salaries Payable</u>	<u>Due To Other Funds</u>	<u>Other Current Liabilities</u>	<u>Total</u>
Governmental Activities:					
General Fund	\$1,158,440	\$ 36,123	\$ 18,149	\$ 1,146	\$1,213,858
Municipal Court Fund	18,667	1,390	-	4,103	24,160
Road Maintenance Fund	-	-	-	-	-
Non-Major Governmental Funds	<u>4,500</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>14,000</u>
Total Governmental Activities	<u>\$1,181,607</u>	<u>\$ 37,513</u>	<u>\$ 27,649</u>	<u>\$ 5,249</u>	<u>\$1,252,018</u>

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

E. FIXED ASSETS

Capital asset activity for Village of Bee Cave for the year ended September 30, 2006, was as follows:

<u>Description</u>	<u>Balance</u> <u>9/30/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2006</u>
Land	\$ 162,500	\$ 9,414,252	\$ -	\$ 9,576,752
Buildings & Improvements	738,098	7,016	-	745,114
Furniture & Equipment	438,664	95,724	(87,918)	446,470
Construction In Progress	<u>414,149</u>	<u>217,882</u>	<u>(414,149)</u>	<u>217,882</u>
Total Historical Costs	<u>1,753,411</u>	<u>9,734,874</u>	<u>(502,067)</u>	<u>10,986,218</u>
Less Accumulated Depreciation:				
Buildings & Improvements	(121,363)	(18,628)	-	(139,991)
Furniture & Equipment	<u>(155,266)</u>	<u>(82,840)</u>	<u>50,786</u>	<u>(187,320)</u>
Total Accum. Depreciation	<u>(276,629)</u>	<u>(101,468)</u>	<u>50,786</u>	<u>(327,311)</u>
Governmental Activities Capital Assets, net	<u>\$ 1,476,782</u>	<u>\$ 9,633,406</u>	<u>\$ (451,281)</u>	<u>\$10,658,907</u>

Depreciation expense was charged to general government departments as follows:

Depreciation expense was allocated to the governmental functions as follows:

<u>Function</u>	<u>Allocated</u> <u>Depreciation</u>
General Government	\$ 29,161
Public Safety	17,270
Highways and Streets	366
Community Services	23,514
Culture and Recreation	<u>31,157</u>
Total	<u>\$ 101,468</u>

F. OPERATING LEASES

The Village of Bee Cave has leased a modular building for the Police Department and the Library effective October 1, 2005. This agreement is treated as an operating lease, and the future minimum rental payments for these leases as of September 30, 2006 are as follows:

<u>Year Ending September 30,</u>	
2007	\$ 36,792
2008	<u>36,792</u>
Total Minimum Rental Payments	<u>\$ 73,584</u>

**VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

G. MAINTENANCE TAX NOTE PAYABLE

During the year the Village issued Village of Bee Cave, Texas Tax Notes, Series 2006, in the amount of \$300,000. The purpose of the notes is for site improvements in the Village Hall Complex. The notes bear an interest rate of 4.67% annually with maturities in increments of \$100,000 payable in fiscal years 2007, 2008, and 2009. As of September 30, 2006, the outstanding principal balance of the notes was \$300,000. A summary of future principal and interest payments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 100,000	\$ 13,465	\$ 113,465
2008	100,000	9,340	109,340
2009	100,000	4,670	104,670
	<u>\$ 300,000</u>	<u>\$ 27,475</u>	<u>\$ 327,475</u>

H. BONDS

At an election on May 6, 2000 voters authorized the issuance of \$1,850,000 in bonds for the purchase of 54 acres of land and park improvements, and \$1,150,000 in bonds for the purchase of 15 acres of land, building improvements, new construction and historic preservation. These bonds have not been issued.

I. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION

Plan Description

The Village provides pension benefits for all of its full time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide, Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the Village-financed monetary credits, with interest. At the date the plan began, the Village granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Village can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated, with interest, if the current employee contribution rate and Village matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

The plan provisions are adopted by the governing body of the Village, within the options available in the status statues governing TMRS. Plan provisions for the Village were as follows:

Deposit Rate:	7%
Matching Ratio (Village to Employee):	2 to 1
A member is vested after:	5 years

VILLAGE OF BEE CAVE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Members can retire at certain ages, based on the years of service with the Village. The Service Retirement Eligibilities for the Village (expressed as years of service/age) are: 5 years/age 60, 25years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the Village contribution rate. This rate consists of the normal costs contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year-to-year. The normal cost contribution rate finances the currently accruing monetary credits due to the Village matching percent, which are the obligation of the Village as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Village to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the Village's contribution rate. Both the employees and the Village make contributions monthly. Since the Village needs to know its contribution rate in advance for budget purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

Village of Bee Cave
Schedule of Funding Progress

Actuarial Valuation Date			12/31/05
Actuarial Value of Assets	(A)	\$	386,683
Actuarial Accrued Liability	(B)	\$	410,576
Unfunded (over funded) Actuarial Accrued Liability (UAAL)	(C) = (B) - (A)	\$	23,893
Funded Ratio	(D) = (A) / (B)		94.2%
Annual Covered Payroll	(E)	\$	702,591
UAAL as a Percentage of Covered Payroll	(C) / (E)		3.4%

Trend Information

Fiscal Year Ending	(F)		9/30/06
Annual Pension Cost	(F)	\$	76,090
Percent of APC Contribution			100%
Net Pension Obligation	(G)	\$	-

General System-wide Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.50%
Cost-of-Living Adjustments	None

Village of Bee Cave is one of 811 municipalities having their benefit plan administered by TMRS. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2005, valuations are contained in the 2005 TMRS Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

J. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined with other cities/political subdivisions in the State to participate in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of approximately 1,448 member city/political subdivisions located throughout the State of Texas. The Village pays premiums to the risk pool for its general liabilities, property, auto physical damage, auto liability, mobile equipment, law enforcement, errors and omissions, workers' compensation and employee health and life insurance coverage.

Commercial insurance is carried for employee fidelity. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years, and there was no significant reduction of insurance coverage from the prior year.

Texas Municipal League Intergovernmental Risk Pool operates under the terms of interlocal agreements with the member entities and is a public entity risk pool operating as a common risk management and insurance program. The pool has a workers' compensation fund, a property fund, and a liability fund. Members may choose to participate in one or more of the funds. The Village's risk is limited to the amount of premiums paid unless the pool should fail, in which case, the Village would be liable for its ratable share of the pool deficit.

The funds of the public entity risk pool are intended to be self-sustaining through member contributions. The Village pays an annual premium to the risk pool for its insurance coverage's. The pool carries, as required by the interlocal agreements, insurance or reinsurance through commercial insurance companies that is believed, by the management of the pool, to be adequate to protect the financial stability of the existence of the pool. It is anticipated that such coverages will continue to vary in the future as the pool reserves the right to adjust the insurance/reinsurance coverage.

The Worker's Compensation fund excess loss coverage provides for losses in excess of \$1,000,000, with a \$10,000,000 per occurrence limit of liability. The property fund excess loss coverage provides for losses in excess of fund retention limits of \$250,000 per occurrence subject to an annual aggregate of \$5,000,000. The fund's auto physical damage excess loss coverage provides for losses in excess of fund retention limits of \$25,000 per vehicle and \$250,000 per occurrence. The Village's Coverage limits for auto physical damage was \$122,426 with a \$250 per vehicle deductible. Coverage limits for mobile equipment was \$88,000, with a \$250 deductible. The liability fund excess loss coverage provides for losses in excess of \$1,000,000 with a \$10,000,000 per occurrence limit of liability.

The Village's coverage limits for general liability, law enforcement and errors and omissions were \$300,000 per occurrence subject to an annual aggregate of \$600,000. The Village's coverage limits for automobile liability was \$300,000 per occurrence.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

VILLAGE OF BEE CAVE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

Data Control Codes	200 Economic Development Fund	500 Debt Service Fund	600 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
1010 Cash and Cash Equivalents	\$ 230,169	\$ 61,425	\$ 300,393	\$ 591,987
1300 Due from Other Funds	-	9,500	-	9,500
1000 Total Assets	<u>\$ 230,169</u>	<u>\$ 70,925</u>	<u>\$ 300,393</u>	<u>\$ 601,487</u>
LIABILITIES AND FUND BALANCES				
2010 Accounts Payable	\$ -	\$ 4,500	\$ -	\$ 4,500
2080 Due to Other Funds	-	-	9,500	9,500
2000 Total Liabilities	<u>-</u>	<u>4,500</u>	<u>9,500</u>	<u>14,000</u>
Fund Balances:				
Reserved For:				
3410 Debt Service	-	66,425	-	66,425
3460 Economic Development	230,169	-	-	230,169
3490 Capital Projects	-	-	290,893	290,893
3000 Total Fund Balances	<u>230,169</u>	<u>66,425</u>	<u>290,893</u>	<u>587,487</u>
4000 Total Liabilities and Fund Balances	<u>\$ 230,169</u>	<u>\$ 70,925</u>	<u>\$ 300,393</u>	<u>\$ 601,487</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF BEE CAVE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Data Control Codes	200 Economic Development Fund	500 Debt Service Fund	600 Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
5610 Investment Earnings	\$ -	\$ -	\$ 393	\$ 393
5020 Total Revenues	-	-	393	393
EXPENDITURES:				
Current:				
Debt Service:				
0076 Issuance Costs	-	-	9,500	9,500
6030 Total Expenditures	-	-	9,500	9,500
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(9,107)	(9,107)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	300,000	300,000
7080 Total Other Financing Sources (Uses)	-	-	300,000	300,000
1200 Net Change in Fund Balance	-	-	290,893	290,893
0100 Fund Balance - October 1 (Beginning)	230,169	66,425	-	296,594
3000 Fund Balance - September 30 (Ending)	<u>\$ 230,169</u>	<u>\$ 66,425</u>	<u>\$ 290,893</u>	<u>\$ 587,487</u>

The accompanying notes are an integral part of this statement.

PRESTON SINGLETON, CPA, P.C.
Certified Public Accountants & Consultants
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Round Rock, Texas 78681
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Aldermen
Village of Bee Cave, Texas
13333-A Highway 71 W.
Bee Cave, Texas 78738

Mayor and Members of the Board:

We have audited the financial statements of Village of Bee Cave, Texas, (the "Village") as of and for the year ended September 30, 2006, and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Bee Cave's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of Village of Bee Cave in a separate letter dated December 13, 2006.

This report is intended for the information of the Village's trustees, the audit committee, and the administration and is not intended to be used and should not be used by anyone other than these specified parties.

Preston Singleton, CPA, P.C.

Preston Singleton, CPA, P.C.
Round Rock, Texas
December 13, 2006