

CITY OF BEE CAVE, TEXAS



BEE CAVE
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Simply Elevated

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

CITY OF BEE CAVE, TEXAS

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SEPTEMBER 30, 2025

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
City of Bee Cave, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Bee Cave, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bee Cave, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change of Accounting Principle

As discussed in Note I to the basic financial statements, during the year ended September 30, 2025, the City of Bee Cave, Texas, implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bee Cave, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Bee Cave, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bee Cave, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bee Cave, Texas’ basic financial statements. The combining fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City of Bee Cave, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bee Cave, Texas’ internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2026

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bee Cave, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Bee Cave, Texas for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information in the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$96,636,975 (net position). Of this amount, \$28,524,904 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. Net position also reflects \$53,810,072 that is invested in capital assets net of related debt.
- The governmental fund statements report a fund balance at year-end of \$60,331,621; of which \$19,881,255, or 33.0% represents unassigned fund balances.
- The General Fund unassigned fund balance of \$19,881,255 equals 168.3% of total General Fund expenditures.
- The City's total long term liabilities increased by \$17,762,008 during the current fiscal year, due to issuance of the City's 2025 Series Certificates of Obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Bee Cave, Texas' basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information in addition to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The Statement of Net Position and the Statement of Activities presents the City's governmental activities. The City's basic services are reported in the governmental activities, including public safety (police), community services, culture and recreation, and general government. Sales tax, franchise taxes, and licenses and permit fees finance most of these activities.

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 City uses only one category of funds, which is governmental.

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 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 nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Bond, Road Maintenance and Economic Development 4-B Sales Tax Fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the General Fund and Economic Development 4-B Sales Tax budget.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, this report also presents other certain required supplementary information (RSI). These items include a budgetary comparison schedule for the General Fund and the Economic Development 4-B Sales Tax Fund, as well as a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the financial statements within this report.

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 inflows and outflows of resources exceed liabilities by \$96,636,975 as of year-end.

The largest portion of the City's net position (56%) reflects its investments in capital assets (e.g., land, city hall, streets, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if applicable, must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

CITY OF BEE CAVE'S CONDENSED STATEMENT OF NET POSITION

	Governmental Activities	
	2025	2024
Current and other assets	\$ 64,465,075	\$ 40,103,209
Capital assets, net	<u>56,221,040</u>	<u>55,988,575</u>
Total assets	<u>120,686,115</u>	<u>96,091,784</u>
Deferred outflows of resources	<u>670,132</u>	<u>1,042,004</u>
Long-term liabilities	20,148,996	2,565,344
Other liabilities	<u>4,239,995</u>	<u>3,279,433</u>
Total liabilities	<u>24,388,991</u>	<u>5,844,777</u>
Deferred inflows of resources	<u>330,281</u>	<u>74,976</u>
Net position:		
Net investment in capital assets	53,810,072	54,972,426
Restricted	14,301,999	11,858,758
Unrestricted	<u>28,524,904</u>	<u>24,382,851</u>
Total net position	<u>\$ 96,636,975</u>	<u>\$ 91,214,035</u>

A portion of the City's net position (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$28,524,904, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City improved from the prior year, with an increase in net position of \$5,422,940.

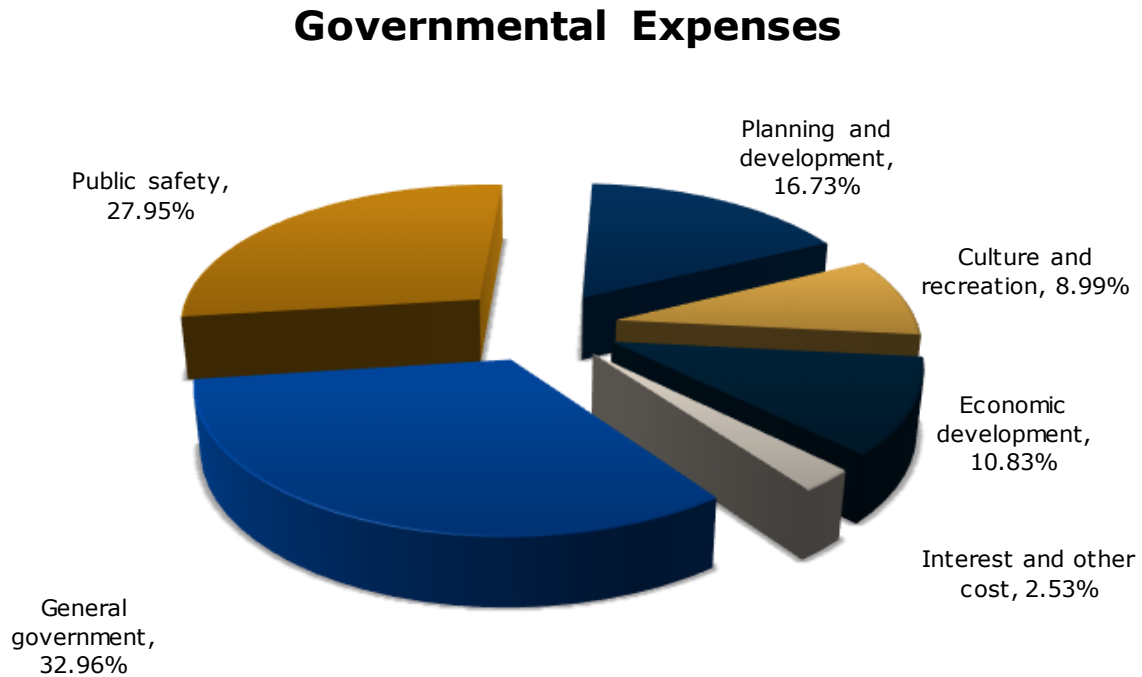
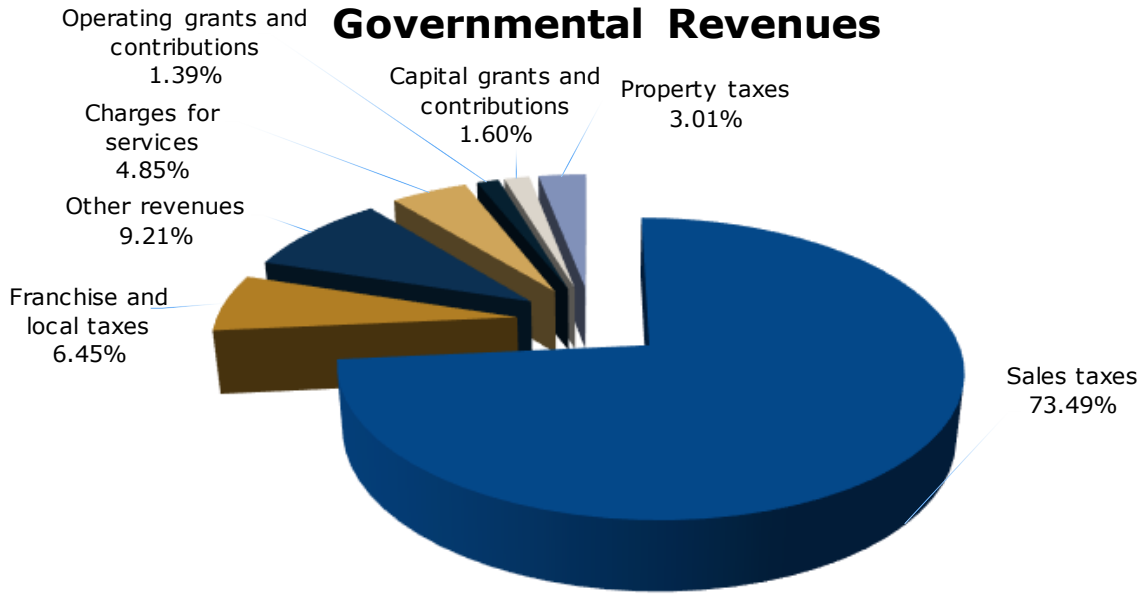
Statement of Activities

The following table provides a summary of the City’s changes in net position:

**CITY OF BEE CAVE’S
CONDENSED STATEMENT OF ACTIVITIES**

	Governmental Activities	
	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 1,015,150	\$ 1,476,520
Operating grants and contributions	290,073	199,402
Capital grants and contributions	335,595	1,089,161
General revenues:		
Property taxes	629,918	601,498
Sales taxes	15,392,193	13,938,000
Franchise and local taxes	1,351,650	1,356,517
Investment earnings	1,916,832	2,065,252
Other	<u>12,408</u>	<u>19,654</u>
Total revenues	<u>20,943,819</u>	<u>20,746,004</u>
Expenses		
General government	5,013,202	4,116,532
Public safety	4,252,169	4,155,516
Planning and development	2,545,089	1,923,661
Culture and recreation	1,367,950	1,327,368
Economic development	1,647,643	3,166,799
Interest and other cost	<u>385,146</u>	<u>47,271</u>
Total expenses	<u>15,211,199</u>	<u>14,737,147</u>
Change in net position	<u>5,732,620</u>	<u>6,008,857</u>
Net position, beginning	<u>91,214,035</u>	<u>85,205,178</u>
Restatement	<u>(309,680)</u>	<u>-</u>
Net position, ending	<u>\$ 96,636,975</u>	<u>\$ 91,214,035</u>

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



For the year ended September 30, 2025, revenues from governmental activities totaled \$20,943,819, an increase of \$197,815 (1%) compared to the prior year. The majority of this change is due to an increase in sales tax revenue.

As of the end of the fiscal year, expenses for governmental activities totaled \$15,211,199, which represents a \$474,052 increase from 2024. Much of this increase is due to an increase in general government expenses.

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 \$60,331,621. Of this, \$40,241,287 is restricted and committed for various purposes, \$209,079 is assigned for beautification, and \$19,881,255 is unassigned in the General Fund. Of the General Fund's unassigned fund balance \$8,860,821 is maintained in accordance with the City's fund balance policy. The City's fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Additionally, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year in the amount of \$1.5 million.

There was an increase in the combined fund balance of \$23,558,367 in comparison to the prior year, which was primarily the result of debt proceeds recorded in the Public Safety Bond Fund.

The General Fund had revenues which exceeded expenditures by \$2,863,923, and after inter-fund transfers the net change in fund balance was a decrease of -\$1,391,373. The decrease resulted from planned use of fund balance for capital projects.

The Road Maintenance Fund had an increase in fund balance of \$792,141 due to continued growth in sales tax revenue.

The Economic Development 4-B Sales Tax Fund had an increase in fund balance of \$2,366,547 as a result of the decrease of economic development expenditures.

The Public Safety Bond Fund was established during the current year and ended the year with \$17,927,404 in fund balance from the issuance of the City's 2025 Series Certificates of Obligation, all of which is restricted for future construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues were more than budgeted revenues by \$183,855 during the year. This net variance is primarily attributable to sales taxes collected being more than forecasted. General Fund expenditures were more than the amended budget by \$531,013 and after other financing sources and uses, there was a net variance of -\$1,394,502 from the amended budget for the year.

Capital Assets

At the end of the year, the City's governmental activities funds had invested, net of depreciation, in a variety of capital assets and infrastructure. Accumulated depreciation is included with the governmental capital assets.

Major capital asset events during the year include professional service costs related to future capital projects such as the public safety facility.

For more detailed information on changes in capital assets, please refer to the notes to the financial statements.

Long-term Debt

At the end of the current year, the City had total long-term debt of \$19,198,773. The debt of the City increased during the current year due to issuance of the City's Series 2025 Certificates of Obligation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Given the lasting economic impacts on our primary sales tax revenue stream, the City of Bee Cave continues a tradition of exercising a cautious, conservative approach to budget planning and the appropriation for operational revenue and expense. The Bee Cave City Council, through their comprehensive decisions related to fiscal policy, continues to keep property taxes as low as any in the State of Texas. As in prior fiscal years, all City departments continue to conduct their specific operations in a lean, efficient manner. It is a testament to our commitment that we continue to do so without adversely impacting the outstanding service provided to public customers.

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 the City of Bee Cave, Travis Askey, Finance Manager, 4000 Galleria Parkway, Bee Cave, Texas, 78738 or by calling 512.767.6600. You may also visit the City's website at www.beecavetexas.com.

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**BASIC
FINANCIAL STATEMENTS**

CITY OF BEE CAVE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 61,653,560
Receivables, net	
Taxes	2,675,843
Accounts	83,168
Due from other governments	52,504
Capital assets:	
Nondepreciable	36,427,573
Depreciable, net	19,793,467
Total capital assets	56,221,040
Total assets	120,686,115
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	653,589
Related to other postemployment benefits	16,543
Total deferred outflows of resources	670,132
LIABILITIES	
Accounts payable	1,893,072
Accrued liabilities	179,971
Escrow payable	777,521
Unearned revenue	1,197,375
Interest payable	192,056
Noncurrent liabilities:	
Due within one year:	
Debt and compensated absences	606,281
Due in more than one year:	
Debt and compensated absences	18,592,492
Net pension liability	862,880
Total OPEB liability	87,343
Total liabilities	24,388,991
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	284,585
Related to other postemployment benefits	45,696
Total deferred inflows of resources	330,281
NET POSITION	
Net investment in capital assets	53,810,072
Restricted for:	
Court technology	30,067
Court building and security	108,868
Economic development	11,472,542
Promotion of tourism and hotel industry	2,690,522
Unrestricted	28,524,904
Total net position	\$ 96,636,975

CITY OF BEE CAVE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 5,013,202	\$ 19,945	\$ -	\$ 99,727	\$ (4,893,530)
Public safety	4,252,169	693,644	-	235,868	(3,322,657)
Planning and development	2,545,089	297,824	-	-	(2,247,265)
Culture and recreation	1,367,950	3,737	-	-	(1,364,213)
Economic development	1,647,643	-	290,073	-	(1,357,570)
Interest	<u>385,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(385,146)</u>
Total governmental activities	<u>\$ 15,211,199</u>	<u>\$ 1,015,150</u>	<u>\$ 290,073</u>	<u>\$ 335,595</u>	<u>(13,570,381)</u>
General revenues:					
Taxes:					
Property					629,918
Sales					15,392,193
Franchise fees and local taxes					1,351,650
Investment earnings					1,916,832
Other					<u>12,408</u>
Total general revenues					<u>19,303,001</u>
Change in net position					<u>5,732,620</u>
Net position, beginning, as previously reported					<u>91,214,035</u>
Restatement, change in accounting principle					<u>(309,680)</u>
Net position, beginning, as restated					<u>90,904,355</u>
Net position, ending					<u>\$ 96,636,975</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BEE CAVE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	<u>General</u>	<u>Road Maintenance</u>	<u>Economic Development 4-B Sales Tax</u>
ASSETS			
Cash and investments	\$ 21,725,687	\$ 7,032,747	\$ 11,128,376
Receivables, net:			
Taxes	1,980,416	146,453	439,358
Accounts	83,168	-	-
Due from other governments	-	-	-
Total assets	<u>23,789,271</u>	<u>7,179,200</u>	<u>11,567,734</u>
LIABILITIES			
Accounts payable	1,442,386	269,522	95,192
Accrued liabilities	179,476	-	-
Escrow payable	777,521	-	-
Unearned revenues	<u>1,197,375</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,596,758</u>	<u>269,522</u>	<u>95,192</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - property taxes	-	-	-
Unavailable - court fines	<u>83,168</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>83,168</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Court building and security	-	-	-
Court technology	-	-	-
Seized funds	3,012	-	-
Economic development	-	-	11,472,542
Promotion of tourism and hotel industry	-	-	-
Capital projects	-	-	-
Committed for:			
Road maintenance	-	6,909,678	-
Public safety	15,999	-	-
Capital projects	-	-	-
Assigned for:			
Beautification	209,079	-	-
Unassigned	<u>19,881,255</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>20,109,345</u>	<u>6,909,678</u>	<u>11,472,542</u>
Total liabilities, deferred inflows of of resources, and fund balances	<u>\$ 23,789,271</u>	<u>\$ 7,179,200</u>	<u>\$ 11,567,734</u>

Adjustments for the statement of net position:

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

Uncollected revenues are reported as unavailable deferred inflows available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Long-term liabilities, including bonds, leases, tax notes, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

- Interest payable
- Net pension liability and related deferred resources
- Total OPEB liability and related deferred resources
- Bonds, tax notes and leases
- Compensated absences
- Net position of governmental activities

Public Safety Bond	Total Nonmajor Governmental	Total Governmental Funds
\$ 16,352,490	\$ 5,414,260	\$ 61,653,560
-	109,616	2,675,843
-	-	83,168
<u>52,504</u>	<u>-</u>	<u>52,504</u>
<u>16,404,994</u>	<u>5,523,876</u>	<u>64,465,075</u>
50,097	35,875	1,893,072
-	495	179,971
-	-	777,521
-	-	<u>1,197,375</u>
<u>50,097</u>	<u>36,370</u>	<u>4,047,939</u>
-	2,347	2,347
-	-	83,168
-	<u>2,347</u>	<u>85,515</u>
-	108,868	108,868
-	30,067	30,067
-	-	3,012
-	-	11,472,542
-	2,690,522	2,690,522
16,354,897	-	16,354,897
-	-	6,909,678
-	-	15,999
-	2,655,702	2,655,702
-	-	209,079
-	-	<u>19,881,255</u>
<u>16,354,897</u>	<u>5,485,159</u>	<u>60,331,621</u>
<u>\$ 16,404,994</u>	<u>\$ 5,523,876</u>	<u>64,465,075</u>
		56,221,040
		85,515
		(192,056)
		(493,876)
		(116,496)
		(18,765,865)
		<u>(432,908)</u>
		<u>\$ 96,636,975</u>

CITY OF BEE CAVE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Road Maintenance	Economic Development 4-B Sales Tax
REVENUES			
Property taxes	\$ 337,406	\$ -	\$ -
Sales taxes	11,544,144	962,013	2,886,036
Franchise fees and local taxes	865,035	-	-
Licenses and permits	297,824	-	-
Intergovernmental	-	99,727	-
Charges for services	12,893	-	-
Fines and forfeitures	653,343	-	-
Investment earnings	955,375	297,683	459,825
Contributions	2,986	-	15,000
Miscellaneous	9,345	-	79
Total revenues	<u>14,678,351</u>	<u>1,359,423</u>	<u>3,360,940</u>
EXPENDITURES			
Current:			
General government	4,266,290	164,097	-
Public safety	3,992,376	-	-
Planning and development	2,055,070	-	-
Culture and recreation	1,225,096	-	-
Economic development	200,000	-	630,631
Debt service:			
Principal	70,130	-	-
Interest and other	5,466	-	-
Capital outlay	-	403,185	163,762
Total expenditures	<u>11,814,428</u>	<u>567,282</u>	<u>794,393</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,863,923</u>	<u>792,141</u>	<u>2,566,547</u>
OTHER FINANCING SOURCES (USES)			
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers in	1,923,783	-	-
Transfers out	<u>(3,396,333)</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>(1,472,550)</u>	<u>-</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCES	<u>1,391,373</u>	<u>792,141</u>	<u>2,366,547</u>
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	18,717,972	6,117,537	9,105,995
ADJUSTMENT - CHANGE WITHIN FINANCIAL REPORTING ENTITY	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR, AS ADJUSTED	<u>18,717,972</u>	<u>6,117,537</u>	<u>9,105,995</u>
FUND BALANCES, END OF YEAR	<u>\$ 20,109,345</u>	<u>\$ 6,909,678</u>	<u>\$ 11,472,542</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects	Public Safety Bond	Total Nonmajor Governmental	Total Governmental Funds
	\$ -	\$ 292,512	629,918
	-	-	15,392,193
	-	486,615	1,351,650
	-	-	297,824
	235,868	-	335,595
	-	232,808	245,701
	-	44,178	697,521
	80,753	123,196	1,916,832
	-	42,265	60,251
	-	-	9,424
	<u>316,621</u>	<u>1,221,574</u>	<u>20,936,909</u>
	-	171,481	4,601,868
	-	-	3,992,376
	-	-	2,055,070
	-	-	1,225,096
	-	767,543	1,598,174
	-	285,000	355,130
	201,641	14,066	221,173
	<u>141,146</u>	<u>726,408</u>	<u>1,434,501</u>
	<u>342,787</u>	<u>1,964,498</u>	<u>15,483,388</u>
	<u>(26,166)</u>	<u>(742,924)</u>	<u>5,453,521</u>
	16,950,000	-	16,950,000
	1,154,846	-	1,154,846
	-	3,396,333	5,320,116
	<u>(1,723,783)</u>	<u>-</u>	<u>(5,320,116)</u>
	<u>16,381,063</u>	<u>3,396,333</u>	<u>18,104,846</u>
	<u>16,354,897</u>	<u>2,653,409</u>	<u>23,558,367</u>
85,831	-	2,745,919	36,773,254
<u>(85,831)</u>	<u>-</u>	<u>85,831</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,831,750</u>	<u>36,773,254</u>
<u>\$ -</u>	<u>\$ 16,354,897</u>	<u>\$ 5,485,159</u>	<u>60,331,621</u>

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CITY OF BEE CAVE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds	\$ 23,558,367
Amounts reported for governmental activities in the Statement of Activities are different because:	
<p>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.</p>	
Capital outlay	1,385,952
Depreciation expense	(1,153,487)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Fines	6,910
<p>Certain pension and OPEB expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and (inflows) related to the net pension liability and total OPEB liability were amortized.</p>	
	(139,141)
<p>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.</p>	
Compensated absences	(12,292)
<p>The issuance of long-term debt (e.g., bonds, leases and tax notes) 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 do not report the effect of deferred loss on refunding; whereas, this amount was 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.</p>	
Issuance of bonds	(16,950,000)
Premium on issuance of bonds	(1,154,846)
Principal payments	355,130
Interest payable	<u>(163,973)</u>
Change in net position of governmental activities	<u>\$ 5,732,620</u>

CITY OF BEE CAVE, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - CUSTODIAL FUND

SEPTEMBER 30, 2025

	<u>Backyard PID</u>
ASSETS	
Cash and investments	\$ 783
Total assets	<u>783</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for:	
Bond holders and developers	<u>783</u>
Total net position	<u>\$ 783</u>

CITY OF BEE CAVE, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - CUSTODIAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Backyard PID</u>
ADDITIONS	
Special assessment	\$ 1,210,629
Total additions	<u>1,210,629</u>
DEDUCTIONS	
Payment to trust	<u>1,210,629</u>
Total deductions	<u>1,210,629</u>
NET DECREASE IN FIDUCIARY NET POSITION	<u>-</u>
NET POSITION, BEGINNING	<u>783</u>
NET POSITION, ENDING	<u>\$ 783</u>

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CITY OF BEE CAVE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bee Cave, Texas (the "City") currently operates as a Home Rule City. In May, 2014, the citizens of the City adopted a Home Rule Charter changing operations to follow a Council-Manager form of government. The Council-Manager form of government provides for leadership of elected officials in the form of a council and managerial experience of an appointed local government manager. Under its Home Rule Charter, the City operates and provides authorized services to advance the welfare, health, morals, comfort, safety, and convenience of the City and its inhabitants. Prior to May, the City operated as a Type-A general law government under a mayor and City Council form providing services authorized by the Texas Local Government Code.

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. The Bee Cave Economic Development Corporation, although legally separate, is considered part of the 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 the 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 – Bee Cave Economic Development Corporation

The Bee Cave Economic Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. The City of Bee Cave formed the Corporation, which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City. Separate financial statements of the Corporation may be obtained from the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, if applicable. Governmental activities are supported by taxes, licenses and permits, and fines and forfeitures. Separate financial statements are provided for governmental funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements.

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

Financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

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

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus*, which is the *accrual basis of accounting*. Revenue is 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 revenue 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 funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible 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 services expenditures, as well as expenditures related to 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 is reported as other financing sources.

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

The City has the following major governmental funds:

The **General Fund** is used to account for all financial transactions not properly includable in other funds.

The **Road Maintenance Fund** is used to account for sales tax revenue restricted by enabling legislation and expenditures for road maintenance within the City.

The **Economic Development 4-B Sales Tax Fund** is used to account for the activity of the City's blended component unit. The activity includes sales tax revenue restricted by enabling legislation and expenditures for economic development.

The **Public Safety Bond Fund** is used to account for the proceeds and capital expenditures of the City's Series 2025 Certificates of Obligation issuance.

Additionally, the City reported the following fiduciary:

The **PID Backyard Custodial Fund** is used to account for the collection and disbursement of the special property assessment on the property within that area of the public improvement district.

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. 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 the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as 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.

D. Assets, Deferred Inflows/Outflows, Liabilities and Net Position or Fund Balance

Deposits and Investments

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's end.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

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

- Obligations of the United States or its agencies and instruments,
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

Receivables

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

Property taxes are levied October 1 of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year. All property values and exempt status, if any, are determined by the Travis County Appraisal District. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure acquired subsequent to fiscal year 2003 has been capitalized. Buildings and improvements, infrastructure, furniture and equipment are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

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

Vehicles	3 - 5 years
Computers and equipment	3 - 5 years
Furniture and fixtures	7 - 10 years
Infrastructure	30 - 40 years
Buildings and improvements	10 - 40 years
Right to use - equipment	4 - 5 years

Unearned Revenues

Unearned revenues are reported when cash is received before the related performance or eligibility requirements are met. These relate primarily to the grant funds received in advance for ARPA grants, which will be recognized in future years to the extent that funds are spent. The City also reports unearned revenues for collection of developer escrow deposits.

Leases

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Long-term Debt

In the government-wide financial statements, long-term debt are reported as liabilities in the governmental activities statement of net position. The long-term debt consists primarily of bonds payable.

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Accrued compensated absences are reported as a long-term liability in the government-wide financial statements to the extent they are considered more likely than not to be paid based on historical data.

Pensions

For purposes of measuring the net pension liability, pension deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in 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 refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

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 assets 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 the following items that qualify for reporting in this category.

- Deferred losses on bond refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions related to the pension and OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/ or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets 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 the following types of items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB plan economic experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond and 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 financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (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 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.

Fund Balance Policies

Fund balance of the governmental funds is 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).

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. City Council has delegated the authority to assign fund balance to the City Manager. The City Council and City Manager may 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.

Estimates

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

Change in Accounting Principle

During fiscal year 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning certain previously required disclosures. Accordingly, the cumulative effect of the accounting change has been recognized in a restatement of beginning net position for the year ended September 30, 2025.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Deposits and Investments

As of September 30, 2025, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Days)	Credit Rating
Government money market funds:			
Allspring Government Money Market Fund	\$ 770,029	43	AAAm
Total government money market funds	<u>770,029</u>		
Local government investment pools:			
TexPool	16,260,176	44	AAAm
TexStar	7,791	50	AAAm
LOGIC	13,303,720	54	AAAm
Texas CLASS	<u>31,211,946</u>	17	AAAm
Total local government investment pools	<u>60,783,633</u>		
Total	<u>\$ 61,553,662</u>		

External investment pools (TexPool, TexStar, LOGIC, and Texas CLASS) are measured at amortized cost or net asset value as provided by the pool. Money market mutual funds (Allspring Government Money Market Fund) are measured at net asset value per share.

All the City's investments have a redemption notice period of one day or less and may redeem daily. The investments' 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 the investment's liquidity.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment not to exceed two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act, and investing operating funds primarily in short-term securities or similar government investment pools.

Credit Risk. The City's investment policy limits investments in external investment pools rated as to investment quality not less than AAA by a nationally recognized investment rating firm.

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 to 102 percent by collateral securities. At year-end, market values of the City's pledged securities and FDIC insurance exceeded bank balances.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

The Allspring Government Money Market Fund is a SEC-registered money market mutual fund regulated under Rule 2a-7 of the Investment Company Act of 1940. The fund is authorized as an investment under Section 2256.014 of the Texas Public Funds Investment Act, which permits investments in SEC-registered, no-load money market mutual funds that comply with Rule 2a-7 requirements. The fund seeks to provide current income while preserving capital and liquidity. Under normal circumstances, the fund invests exclusively in high-quality, short-term, U.S. dollar-denominated money market instruments that consist of U.S. government obligations and repurchase agreements collateralized by U.S. government obligations. These investments may have fixed, floating, or variable rates of interest. The fund is classified as a government money market fund under SEC Rule 2a-7, investing 99.5 percent or more of its total assets in cash, U.S. government securities, and/or repurchase agreements that are fully collateralized by U.S. government securities. The fund maintains a dollar-weighted average portfolio maturity of 60 days or less and a dollar-weighted average life of 120 days or less, as required by Rule 2a-7. The fund seeks to maintain a stable net asset value of \$1.00 per share through use of the amortized cost method of valuation. The fund allows for daily redemptions with no redemption notice period required. Shares may be purchased or redeemed on any business day at the fund's current net asset value. The fund is rated AAAM by Standard & Poor's, reflecting the fund's extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.

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 rate 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 has a redemption notice period of one day and may redeem daily. The investment pool'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 the pool's liquidity.

The Texas Short-term Reserve Fund ("TexStar") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexStar was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J. P. Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. J. P. Morgan Chase Bank and/or its subsidiary, J. P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas (each a "Governmental Entity") to jointly invest their funds in permitted investments. LOGIC's governing body is a six-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represents the co-administrators of LOGIC. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

The Cooperative Liquid Assets Securities System – Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Chapter 2256, Texas Government Code. CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement") among certain Texas governmental entities investing in the pool (the "Participants"), Municipal Investors Services Corporation ("MBIA-MISC") as program administrator, and Wells Fargo as custodian. CLASS is not SEC-registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996 or by calling (800) 707-6242. CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

Receivables

The following comprise receivable balances at year-end:

	<u>General</u>	<u>Road Maintenance</u>	<u>Economic Development 4-B Sales Tax</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 1,929	\$ -	\$ -	\$ 2,422	\$ 4,351
Sales taxes	1,757,432	146,453	439,358	-	2,343,243
Mixed beverage taxes	28,170	-	-	-	28,170
Franchise fees	193,004	-	-	107,269	300,273
Fines and fees	<u>1,663,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,663,354</u>
Gross receivables	3,643,889	146,453	439,358	109,691	4,339,391
Less: allowance for uncollectibles	<u>(1,580,305)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>(1,580,380)</u>
Total receivables, net	<u>\$ 2,063,584</u>	<u>\$ 146,453</u>	<u>\$ 439,358</u>	<u>\$ 109,616</u>	<u>\$ 2,759,011</u>

Capital Assets

A summary of changes in capital assets for the year ended September 30, 2025, were as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,149,495	\$ -	\$ -	\$ 30,149,495
Construction in progress	<u>5,211,259</u>	<u>1,066,819</u>	<u>-</u>	<u>6,278,078</u>
Total assets not being depreciated	<u>35,360,754</u>	<u>1,066,819</u>	<u>-</u>	<u>36,427,573</u>
Capital assets, being depreciated:				
Infrastructure	18,926,470	-	-	18,926,470
Buildings and improvements	15,647,544	108,719	-	15,756,263
Furniture and equipment	2,974,621	210,414	-	3,185,035
Right to use - equipment	<u>286,756</u>	<u>-</u>	<u>-</u>	<u>286,756</u>
Total capital assets being depreciated	<u>37,835,391</u>	<u>319,133</u>	<u>-</u>	<u>38,154,524</u>
Less accumulated depreciation:				
Infrastructure	(7,178,680)	(474,425)	-	(7,653,105)
Buildings and improvements	(7,417,616)	(380,051)	-	(7,797,667)
Furniture and equipment	(2,490,045)	(241,660)	-	(2,731,705)
Right to use - equipment	<u>(121,229)</u>	<u>(57,351)</u>	<u>-</u>	<u>(178,580)</u>
Total accumulated depreciation	<u>(17,207,570)</u>	<u>(1,153,487)</u>	<u>-</u>	<u>(18,361,057)</u>
Total capital assets being depreciated, net	<u>20,627,821</u>	<u>(834,354)</u>	<u>-</u>	<u>19,793,467</u>
Governmental activities capital assets, net	<u>\$ 55,988,575</u>	<u>\$ 232,465</u>	<u>\$ -</u>	<u>\$ 56,221,040</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 360,342
Public safety	193,678
Planning and development	479,101
Culture and recreation	<u>120,366</u>
	<u>\$ 1,153,487</u>

Long-term Liabilities

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Certificates of obligation	\$ -	\$ 16,950,000	\$ -	\$ 16,950,000	\$ 185,000
Tax notes- private placement	870,000	-	285,000	585,000	290,000
Issuance premium	-	1,154,846	-	1,154,846	-
Leases	146,149	-	70,130	76,019	44,699
Compensated absences	<u>420,616</u>	<u>12,292</u>	<u>-</u>	<u>432,908</u>	<u>86,582</u>
Total governmental activities	<u>\$ 1,436,765</u>	<u>\$ 18,117,138</u>	<u>\$ 355,130</u>	<u>\$ 19,198,773</u>	<u>\$ 606,281</u>

The current year activity for the compensated absences liability is presented as a net change.

Certificates of Obligation

In the current year, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2025, in the amount of \$16,950,000. The certificates have an interest rate of 5.00% and mature in 2045. The proceeds will be used to fund multiple construction and capital improvement projects throughout the City. The certificates are secured by the City's ad valorem tax revenue.

Annual debt service to maturity for the certificates are as follows:

Combination Tax Revenue Certificates of Obligations, Series 2025			
Year Ending September 30,	Principal	Interest	Total
2026	\$ 185,000	\$ 875,750	\$ 1,060,750
2027	285,000	838,250	1,123,250
2028	585,000	824,000	1,409,000
2029	615,000	794,750	1,409,750
2030	645,000	764,000	1,409,000
2031-2035	3,750,000	3,302,000	7,052,000
2036-2040	4,780,000	2,266,250	7,046,250
2041-2045	6,105,000	945,250	7,050,250
Total	<u>\$ 16,950,000</u>	<u>\$ 10,610,250</u>	<u>\$ 27,560,250</u>

Tax Notes

In January 2021, the City issued \$1,980,000 of tax notes, series 2020, with an interest rate ranging from 0.52% to 1.01%.

Annual debt service to maturity for these tax notes is as follows:

Tax Notes, Series 2020 - Private Placement		
Year Ending September 30,	Principal	Interest
2026	\$ 290,000	\$ 5,740
2027	295,000	2,980
Total	<u>\$ 585,000</u>	<u>\$ 8,720</u>

Leases

The City has five leases for vehicles and copiers. The vehicles have a fixed monthly payment of \$5,306 and the copiers have a fixed monthly payment of \$841, with interest rates ranging from 4.5% to 5.6%. The City’s direct borrowings (leases) are secured with equipment as collateral.

A summary of leases outstanding as of September 30, 2025, is as follows:

Leases			
Year Ending September 30,	Principal	Interest	Total
2026	\$ 44,699	\$ 2,781	\$ 47,480
2027	31,320	718	32,038
Total	<u>\$ 76,019</u>	<u>\$ 3,499</u>	<u>\$ 79,518</u>

Fund Balance

The City’s fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Nine months of General Fund operating expenditures for fiscal year 2025 is \$8,845,280. If it is determined that the City is below this minimum established fund balance level, the City Council will be informed of this condition and take necessary budgetary steps to increase fund balance.

In addition to the City’s fund balance policy above, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year, in the amount of \$1.5 million. This amount is included in unassigned fund balance.

Interfund Balances

The City had no interfund balances outstanding as of September 30, 2025.

Interfund Transfers

Interfund transfers for the year were as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Nonmajor	\$ 3,396,333	To fund debt service payments and capital projects
Economic Development 4-B	General Fund	200,000	To fund economic development project
Public Safety Bond	General Fund	<u>1,723,783</u>	To reimburse public safety building expenditures paid out of the General Fund
Total		<u>\$ 5,320,116</u>	

III. OTHER INFORMATION

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 other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities

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

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

The City is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the City’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Backyard Public Improvement District (PID)

In October 2020, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. Project costs will be paid for using current assessments, developer contributions, and a debt issuance with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances. In November 2021, Special Assessment Revenue Bonds, Series 2021 were issued in the amount of \$10,508,000 and secured by special assessment revenues of the PID, with total bond principal outstanding for these issues of \$10,138,000 at year-end. Proceeds of the bonds were deposited into trust accounts with BOK Financial services for the purpose of funding improvements. P3 Works serves the administrator, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the trustee. The City has no direct or contingent liability or moral obligation for the payment of this debt, therefore this debt is not recorded as long-term debt of the City.

Spanish Oaks Public Improvement District (PID)

In July 2021, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. The Spanish Oaks PID was created for the purpose of making improvements to a designated geographic area by levying a special property assessment on the property within that area. Project costs will be paid for using current assessments, developer contributions, and a debt issuance with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances.

West Travis County Public Utility Agency

The West Travis County Public Utility Agency (PUA) was created to provide water supply and wastewater treatment services to participants and their customers. The PUA owns the supply and treatment components, conveys services, and operates the system. The participants include the City of Bee Cave, Hays County and West Travis County MUD 5, each of which the participants obligation is to make its proportionate share of annual payments for operating and maintenance expense related to its service area. The PUA issued revenue bonds to provide for capital funding for the expansion and refurbishment of the PUA. These revenue bonds are to be payable from and secured by annual payments made by participating members. During the year, the City of Bee Cave did not pay for operating and maintenance expenses or the PUA's Revenue Bond debt service payments. In future periods, the City anticipates paying an unknown amount for the above-mentioned items.

Chapter 380 Economic Development Agreement

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. In August of 2004, the City adopted by ordinance, a comprehensive economic development policy and program for economic development activities.

On April 25, 2023, the City Council took action to approve a Chapter 380 Grant Agreement between Kent Sports Holdings, L.P., TCHMall Sports, the "Developer" and the City of Bee Cave. The agreement between the two parties provides for infrastructure improvements related to the implementation of the adopted Thoroughfare Plan, Capital Improvements Plan, and development of City owned property west of Hill Country Indoor on Bee Cave Parkway. The City has found that providing the economic incentives to the Owners in exchange for the Owners' construction of public infrastructure necessary to serve the Project, the ongoing operation of HCI Sports & Fitness, and future development of adjacent properties will promote local economic development, stimulate business and commercial activity, and will create and retain jobs within the City. During the year the City paid \$1,050,00 to Kent Sports in accordance with this 380 agreement.

The 380 agreement provides for construction of Infrastructure improvements including the extension of Willie Way, a four-lane roadway with a center median, sidewalks, landscaping, and other related facilities. As required for construction of the roadway, the developer will also construct approximately 20,000 square feet of Water Quality and wet amenity ponds for use and enjoyment the general public. Upon completion of the Willie Way Extension, the developer will dedicate the Willie Way Extension and the Water Quality Ponds. Additionally, the developer agrees to provide a Public Access Easement for the benefit of the public over and across Skaggs Drive.

Grant Payments made by the city to the developers are a direct contribution to the construction, financing, and completion of the Infrastructure Improvements totaling \$3,250,000. Payments are made in a timely manner but not later than thirty (30) days following receipt of a request and certification by the developer's design engineer and confirmed by the City Engineer with performance milestones as follows:

- \$150,000 upon Termination of the Offsite Parking Easement
- \$50,000 upon grant of the Public Access Easement
- \$500,000 upon the Effective Date of the Agreement
- \$550,000 at Concept Approval/ Design Sign-Off
- \$1,700,000 paid based on a percentage of completion,
- \$300,000 paid upon Substantial Completion of the Water Quality Ponds

The City has a 380 agreement in regard to another development within the City called the Backyard at Bee Cave, whereby approximately 44 acres of land is developed for retail and related uses. In this agreement, the City pays a percentage of the sales taxes collected from the on-line ticket operation for 20 years to Backyard at Bee Cave, the developer. As of year-end on-line ticket operations have not begun.

Texas Municipal Retirement System – Defined Benefit Pension

Plan Descriptions. The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board of Trustees. TMRS is not fiscally dependent on the State of Texas and issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

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

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 employee's benefit is calculated on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. The retiring employee may select one of seven monthly benefit options. Employees may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2001, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	30% of CPI repeating

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries currently receiving benefits	13
Inactive employees entitles to but not yet receiving benefits	56
Active employees	<u>57</u>
	<u><u>126</u></u>

Contributions. Employee contribution rates in TMRS are either 5%, 6% or 7% of the employee's gross earnings, and the City matching percentages are with 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contributions rates for the City were 9.71% and 10.28% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$523,619, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense,

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 weighing 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, GRS 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 11,759,693	\$ 10,410,064	\$ 1,349,629
Changes for the year:			
Service cost	843,941	-	843,941
Interest	807,572	-	807,572
Difference between expected and actual experience	(141,719)	-	(141,719)
Contributions - employer	-	534,203	(534,203)
Contributions - employee	-	385,110	(385,110)
Net investment income	-	1,084,330	(1,084,330)
Benefit payments, including refunds of employee contributions	(435,273)	(435,273)	-
Administrative expense	-	(6,937)	6,937
Other changes	-	(163)	163
Net changes	<u>1,074,521</u>	<u>1,561,270</u>	<u>(486,749)</u>
Balance at 12/31/2024	<u>\$ 12,834,214</u>	<u>\$ 11,971,334</u>	<u>\$ 862,880</u>

For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

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

	1% Decrease	Current	1% Increase
	5.75%	Discount Rate 6.75%	7.75%
Net pension liability	\$ 2,969,639	\$ 862,880	\$ (835,824)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2025, the City recognized pension expense of \$646,982. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 255,569	\$ 108,530
Changes of assumptions	-	20,421
Net difference between projected and actual earnings	-	155,634
Contributions subsequent to the measurement date	<u>398,020</u>	<u>-</u>
Totals	<u>\$ 653,589</u>	<u>\$ 284,585</u>

\$398,020 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year	
<u>Ended September 30,</u>	
2026	\$ 64,089
2027	142,067
2028	(149,882)
2029	(85,290)

Defined Other Post-Employment Benefit Plans

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>57</u>
Total	<u><u>82</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.23% for 2024 and 2025, of which 0.03% represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. 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 prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2025 and 2024 were \$1,032 and \$1,238, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table. Mortality rates for service retirees were based on a fully generational basis with scale UMP from the 2019 Municipal Retirees of Texas Mortality Tables. The same mortality tables with a 4-year set-forward for males and a 3-year set-forward for females were used to determine mortality rates for disables retirees. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both active and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.08% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The discount rate is based on the Bond Buyer “20-Bond GO Index” as of December 31, 2024.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the total OPEB liability.

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Total OPEB Liability	\$ 108,647	\$ 87,343	\$ 71,442

OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. The City’s total OPEB liability of \$87,343 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2025, the City recognized OPEB expense of \$6,492. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 88,630
Changes for the year:	
Service cost	7,702
Interest	3,466
Difference between expected and actual experience	(5,421)
Changes of assumptions and other inputs	(5,934)
Benefit payments	<u>(1,100)</u>
Net changes	<u>(1,287)</u>
Balance at 12/31/2024	<u>\$ 87,343</u>

At September 30, 2025, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,729	\$ 10,358
Changes of assumptions	14,026	35,338
Contributions subsequent to the measurement date	<u>788</u>	<u>-</u>
Totals	<u>\$ 16,543</u>	<u>\$ 45,696</u>

\$788 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2026	\$ (5,124)
2027	(5,896)
2028	(7,541)
2029	(7,941)
2030	(3,126)
Thereafter	(313)

Accounting Changes

Change within Financial Reporting Entity

At the end of the current fiscal year, the City’s Capital Projects Fund does not meet the quantitative threshold that would require it to be reported as a major governmental fund in the accompanying financial statements. As a result, the City has reported this fund as a nonmajor governmental fund which was previously reported as a major governmental fund.

Change in Accounting Principle

During fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased liabilities and lowered beginning net position by \$309,680 in the governmental activities.

Significant Forthcoming Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF BEE CAVE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 359,040	\$ 337,584	\$ 337,406	\$(178)
Sales taxes	10,500,000	11,462,021	11,544,144	82,123
Franchise fees and local taxes	801,500	861,041	865,035	3,994
Licenses and permits	383,500	279,020	297,824	18,804
Charges for services	1,500	12,816	12,893	77
Fines and forfeitures	411,775	576,752	653,343	76,591
Investment earnings	1,050,000	953,250	955,375	2,125
Contributions	5,000	2,986	2,986	-
Miscellaneous	4,000	9,026	9,345	319
Total revenues	<u>13,516,315</u>	<u>14,494,496</u>	<u>14,678,351</u>	<u>183,855</u>
EXPENDITURES				
Current:				
General government	3,867,072	3,853,779	4,266,290	(412,511)
Public safety	3,977,816	3,907,634	3,992,376	(84,742)
Planning and development	1,280,185	1,973,111	2,055,070	(81,959)
Culture and recreation	1,256,551	1,239,884	1,225,096	14,788
Economic development	850,000	200,000	200,000	-
Debt service:				
Principal	96,734	103,541	70,130	33,411
Interest	5,466	5,466	5,466	-
Total expenditures	<u>11,333,824</u>	<u>11,283,415</u>	<u>11,814,428</u>	<u>(531,013)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,182,491</u>	<u>3,211,081</u>	<u>2,863,923</u>	<u>(347,158)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	850,000	200,000	1,923,783	1,723,783
Transfers out	(5,242,389)	(3,414,210)	(3,396,333)	17,877
Total other financing sources (uses)	<u>(4,392,389)</u>	<u>(3,214,210)</u>	<u>(1,472,550)</u>	<u>1,741,660</u>
NET CHANGE IN FUND BALANCES	(2,209,898)	(3,129)	1,391,373	1,394,502
FUND BALANCES, BEGINNING OF YEAR	<u>18,717,972</u>	<u>18,717,972</u>	<u>18,717,972</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 16,508,074</u>	<u>\$ 18,714,843</u>	<u>\$ 20,109,345</u>	<u>\$ 1,394,502</u>

CITY OF BEE CAVE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

ECONOMIC DEVELOPMENT 4-B SALES TAX

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 2,625,000	\$ 2,865,505	\$ 2,886,036	\$ 20,531
Investment earnings	425,000	457,017	459,825	2,808
Contributions	-	15,000	15,000	-
Contributions	-	79	79	-
Total revenues	<u>3,050,000</u>	<u>3,337,601</u>	<u>3,360,940</u>	<u>23,339</u>
EXPENDITURES				
Current:				
Economic development	1,499,436	634,544	630,631	3,913
Capital outlay	<u>4,242,880</u>	<u>80,275</u>	<u>163,762</u>	<u>(83,487)</u>
Total expenditures	<u>5,742,316</u>	<u>714,819</u>	<u>794,393</u>	<u>(79,574)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,692,316)</u>	<u>2,622,782</u>	<u>2,566,547</u>	<u>(56,235)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(850,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(850,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(3,542,316)</u>	<u>2,422,782</u>	<u>2,366,547</u>	<u>(56,235)</u>
FUND BALANCES, BEGINNING	<u>9,105,995</u>	<u>9,105,995</u>	<u>9,105,995</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 5,563,679</u>	<u>\$ 11,528,777</u>	<u>\$ 11,472,542</u>	<u>\$ (56,235)</u>

CITY OF BEE CAVE, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2025

BUDGETARY POLICIES

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and the Economic Development 4-B Sales Tax Fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the function. The City may amend the budget throughout the year. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

EXPENDITURES OVER APPROPRIATIONS

The City exceeded appropriations in the General Fund and Economic Development 4-B Sales Tax Fund in various functions as noted on the budgetary comparison schedule. These excess expenditures over appropriations were funded with more revenue than budgeted and existing fund balance.

CITY OF BEE CAVE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Total pension liability			
Service Cost	\$ 375,333	\$ 396,240	\$ 388,537
Interest (on the Total Pension Liability) experience	267,296	301,115	332,076
Change of assumptions	(96,124)	(111,785)	(144,650)
Benefit payments, including refunds of employee contributions	150,188	-	-
	<u>(58,990)</u>	<u>(70,390)</u>	<u>(175,691)</u>
Net change in total pension liability	<u>637,703</u>	<u>515,180</u>	<u>400,272</u>
Total pension liability - beginning	<u>3,660,336</u>	<u>4,298,039</u>	<u>4,813,219</u>
Total pension liability - ending (a)	<u>\$ 4,298,039</u>	<u>\$ 4,813,219</u>	<u>\$ 5,213,491</u>
B. Plan fiduciary net position			
Contributions - Employer	\$ 260,917	\$ 234,463	\$ 253,317
Contributions - Employee	174,111	176,668	176,264
Net Investment Income	4,806	245,569	584,755
Benefit payments, including refunds of employee contributions	(58,990)	(70,390)	(175,691)
Administrative Expenses	(2,930)	(2,776)	(3,032)
Other	<u>(144)</u>	<u>(150)</u>	<u>(152)</u>
Net change in plan fiduciary net position	<u>377,770</u>	<u>583,384</u>	<u>835,461</u>
Plan fiduciary net position - beginning	<u>3,259,718</u>	<u>3,637,488</u>	<u>4,220,872</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,637,488</u>	<u>\$ 4,220,872</u>	<u>\$ 5,056,333</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 660,551</u>	<u>\$ 592,347</u>	<u>\$ 157,158</u>
D. Plan fiduciary net position as a percentage of total pension liability	84.63%	87.69%	96.99%
E. Covered payroll	\$ 2,487,297	\$ 2,523,822	\$ 2,518,064
F. Net pension liability as a percentage of covered payroll	26.56%	23.47%	6.24%

	2018	2019	2020	2021	2022	2023	2024
\$	428,587	\$ 482,385	\$ 517,158	\$ 568,992	\$ 631,251	\$ 798,801	\$ 843,941
	365,013	411,606	477,041	545,444	621,901	700,444	807,572
	(25,946)	178,364	123,796	121,778	3,785	429,452	-
	-	26,934	-	-	-	(36,694)	(141,719)
	<u>(40,355)</u>	<u>(168,238)</u>	<u>(126,299)</u>	<u>(134,753)</u>	<u>(134,541)</u>	<u>(219,704)</u>	<u>(435,273)</u>
	<u>727,299</u>	<u>931,051</u>	<u>991,696</u>	<u>1,101,461</u>	<u>1,122,396</u>	<u>1,672,299</u>	<u>1,074,521</u>
	<u>5,213,491</u>	<u>5,940,790</u>	<u>6,871,841</u>	<u>7,863,537</u>	<u>8,964,998</u>	<u>10,087,394</u>	<u>11,759,693</u>
\$	<u>5,940,790</u>	<u>\$ 6,871,841</u>	<u>\$ 7,863,537</u>	<u>\$ 8,964,998</u>	<u>\$ 10,087,394</u>	<u>\$ 11,759,693</u>	<u>\$ 12,834,214</u>
\$	270,435	\$ 287,972	\$ 309,466	\$ 349,245	\$ 385,788	\$ 504,785	\$ 534,203
	196,987	222,005	241,502	267,491	293,216	368,840	385,110
	(151,499)	824,856	492,598	966,810	(646,231)	1,014,386	1,084,330
	(40,355)	(168,238)	(126,299)	(134,753)	(134,541)	(219,704)	(435,273)
	(2,927)	(4,655)	(3,188)	(4,466)	(5,590)	(6,441)	(6,937)
	<u>(154)</u>	<u>(141)</u>	<u>(124)</u>	<u>30</u>	<u>6,671</u>	<u>(46)</u>	<u>(163)</u>
	<u>272,487</u>	<u>1,161,799</u>	<u>913,955</u>	<u>1,444,357</u>	<u>(100,687)</u>	<u>1,661,820</u>	<u>1,561,270</u>
	<u>5,056,333</u>	<u>5,328,820</u>	<u>6,490,619</u>	<u>7,404,574</u>	<u>8,848,931</u>	<u>8,748,244</u>	<u>10,410,064</u>
\$	<u>5,328,820</u>	<u>\$ 6,490,619</u>	<u>\$ 7,404,574</u>	<u>\$ 8,848,931</u>	<u>\$ 8,748,244</u>	<u>\$ 10,410,064</u>	<u>\$ 11,971,334</u>
\$	<u>611,970</u>	<u>\$ 381,222</u>	<u>\$ 458,963</u>	<u>\$ 116,067</u>	<u>\$ 1,339,150</u>	<u>\$ 1,349,629</u>	<u>\$ 862,880</u>
	89.70%	94.45%	94.16%	98.71%	86.72%	88.52%	93.28%
\$	2,814,097	\$ 3,171,502	\$ 3,450,022	\$ 3,821,301	\$ 4,188,794	\$ 5,269,139	\$ 5,501,574
	21.75%	12.02%	13.30%	3.04%	31.97%	25.61%	15.68%

CITY OF BEE CAVE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30,	2016	2017	2018
Actuarial determined contribution	\$ 241,849	\$ 246,892	\$ 260,975
Contributions in relation to the actuarially determined contribution	241,849	246,892	260,975
Contribution deficiency (excess)	-	-	-
Covered payroll	2,514,891	2,507,281	2,682,678
Contributions as a percentage of covered payroll	9.62%	9.85%	9.73%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024	2025
\$ 286,528	\$ 301,710	\$ 340,028	\$ 382,003	\$ 496,398	\$ 540,838	\$ 523,619
<u>286,528</u>	<u>301,710</u>	<u>340,028</u>	<u>382,003</u>	<u>496,398</u>	<u>540,838</u>	<u>523,619</u>
-	-	-	-	-	-	-
3,106,815	3,352,506	3,738,779	4,149,505	5,113,595	5,556,812	5,161,012
9.22%	9.00%	9.09%	9.21%	9.71%	9.73%	10.15%

CITY OF BEE CAVE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. Total OPEB liability			
Service Cost	\$ 4,784	\$ 6,191	\$ 5,709
Interest (on the Total OPEB Liability)	1,917	2,096	2,398
Difference between expected and actual experience	-	(854)	(3,345)
Change of assumptions	5,481	(5,577)	20,124
Benefit payments**	<u>(252)</u>	<u>(281)</u>	<u>(317)</u>
Net change in Total OPEB liability	<u>11,930</u>	<u>1,575</u>	<u>24,569</u>
Total OPEB liability - beginning	<u>48,447</u>	<u>60,377</u>	<u>61,952</u>
Total OPEB liability - ending	<u>\$ 60,377</u>	<u>\$ 61,952</u>	<u>\$ 86,521</u>
B. Covered employee payroll	\$ 2,518,064	\$ 2,814,097	\$ 3,171,502
C. Total OPEB liability as a percentage of covered employee payroll	2.40%	2.20%	2.73%

Notes to Schedule:

*Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

2020	2021	2022	2023	2024
\$ 7,590	\$ 10,318	\$ 10,053	\$ 6,323	\$ 7,702
2,479	2,124	2,209	3,088	3,466
(10,983)	(1,324)	(2,022)	2,427	(5,421)
16,546	4,285	(50,780)	4,488	(5,934)
<u>(345)</u>	<u>(1,529)</u>	<u>(1,257)</u>	<u>(1,581)</u>	<u>(1,100)</u>
<u>15,287</u>	<u>13,874</u>	<u>(41,797)</u>	<u>14,745</u>	<u>(1,287)</u>
<u>86,521</u>	<u>101,808</u>	<u>115,682</u>	<u>73,885</u>	<u>88,630</u>
<u>\$ 101,808</u>	<u>\$ 115,682</u>	<u>\$ 73,885</u>	<u>\$ 88,630</u>	<u>\$ 87,343</u>
\$ 3,450,022	\$ 3,821,301	\$ 4,188,794	\$ 5,269,139	\$ 5,501,574
2.95%	3.03%	1.76%	1.68%	1.59%

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COMBINING STATEMENTS

CITY OF BEE CAVE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

		<u>Capital Projects</u>	
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Capital Projects Operating</u>
ASSETS			
Cash and investments	\$ -	\$ 66,816	\$ 2,617,631
Receivables, net:			
Taxes	<u>2,347</u>	-	-
Total assets	<u>2,347</u>	<u>66,816</u>	<u>2,617,631</u>
LIABILITIES			
Accounts payable	-	28,745	-
Accrued liabilities	-	-	-
Total liabilities	<u>-</u>	<u>28,745</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - property taxes	<u>2,347</u>	-	-
Total deferred inflows of resources	<u>2,347</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Court building and security	-	-	-
Court technology	-	-	-
Promotion of tourism and hotel industry	-	-	-
Committed for:			
Capital projects	<u>-</u>	<u>38,071</u>	<u>2,617,631</u>
Total fund balances	<u>-</u>	<u>38,071</u>	<u>2,617,631</u>
Total liabilities, deferred inflows of of resources, and fund balances	<u>\$ 2,347</u>	<u>\$ 66,816</u>	<u>\$ 2,617,631</u>

Special Revenue Funds			Total Nonmajor Governmental Funds
Court Building and Security	Court Technology	Hotel Occupancy Tax	
\$ 115,998	\$ 30,562	\$ 2,583,253	\$ 5,414,260
-	-	107,269	109,616
<u>115,998</u>	<u>30,562</u>	<u>2,690,522</u>	<u>5,523,876</u>
7,130	-	-	35,875
-	495	-	495
<u>7,130</u>	<u>495</u>	<u>-</u>	<u>36,370</u>
-	-	-	2,347
-	-	-	<u>2,347</u>
108,868	-	-	108,868
-	30,067	-	30,067
-	-	2,690,522	2,690,522
-	-	-	2,655,702
<u>108,868</u>	<u>30,067</u>	<u>2,690,522</u>	<u>5,485,159</u>
<u>\$ 115,998</u>	<u>\$ 30,562</u>	<u>\$ 2,690,522</u>	<u>\$ 5,523,876</u>

CITY OF BEE CAVE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Debt Service	Capital Projects	
		Capital Projects	Capital Projects Operating
REVENUES			
Property taxes	\$ 292,512	\$ -	\$ -
Franchise fees and local taxes	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	-	-	-
Contributions	-	-	-
Total revenues	292,512	-	-
EXPENDITURES			
Current:			
General government	-	22,502	64,154
Economic development	-	-	-
Debt service:			
Principal	285,000	-	-
Interest and other	14,066	-	-
Capital outlay	-	408,193	318,215
Total expenditures	299,066	430,695	382,369
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,554)	(430,695)	(382,369)
OTHER FINANCING SOURCES (USES)			
Transfers in	13,398	382,935	3,000,000
Total other financing sources (uses)	13,398	382,935	3,000,000
NET CHANGE IN FUND BALANCES	6,844	(47,760)	2,617,631
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	(6,844)	-	-
ADJUSTMENT - CHANGE WITHIN FINANCIAL REPORTING ENTITY	-	85,831	-
FUND BALANCES, BEGINNING OF YEAR, AS ADJUSTED	(6,844)	85,831	-
FUND BALANCES, END OF YEAR	\$ -	\$ 38,071	\$ 2,617,631

Special Revenue Funds			Total Nonmajor Governmental Funds
Court Building and Security	Court Technology	Hotel Occupancy Tax	
\$ -	\$ -	\$ -	\$ 292,512
-	-	486,615	486,615
-	-	232,808	232,808
24,305	19,873	-	44,178
-	-	123,196	123,196
-	-	42,265	42,265
<u>24,305</u>	<u>19,873</u>	<u>884,884</u>	<u>1,221,574</u>
45,740	39,085	-	171,481
-	-	767,543	767,543
-	-	-	285,000
-	-	-	14,066
-	-	-	726,408
<u>45,740</u>	<u>39,085</u>	<u>767,543</u>	<u>1,964,498</u>
<u>(21,435)</u>	<u>(19,212)</u>	<u>117,341</u>	<u>(742,924)</u>
-	-	-	3,396,333
-	-	-	3,396,333
<u>(21,435)</u>	<u>(19,212)</u>	<u>117,341</u>	<u>2,653,409</u>
130,303	49,279	2,573,181	2,745,919
-	-	-	85,831
<u>130,303</u>	<u>49,279</u>	<u>2,573,181</u>	<u>2,831,750</u>
<u>\$ 108,868</u>	<u>\$ 30,067</u>	<u>\$ 2,690,522</u>	<u>\$ 5,485,159</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of City Council
City of Bee Cave, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Bee Cave, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Bee Cave, Texas’ basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bee Cave, Texas’ internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bee Cave, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bee Cave, Texas’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Bee Cave, Texas’ financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bee Cave, Texas’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bee Cave, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bee Cave, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2026