

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF BEE CAVE, TEXAS**

For the Year Ended  
September 30, 2010

# CITY OF BEE CAVE, TEXAS

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## *INDEPENDENT AUDITORS' REPORT*

To the Honorable Mayor and  
City Council Members of the  
City of Bee Cave, Texas:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Providing Governmental & Nonprofit Audits Sealed with Excellence

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

*BELT HARRIS PECHACEK, LLLP*

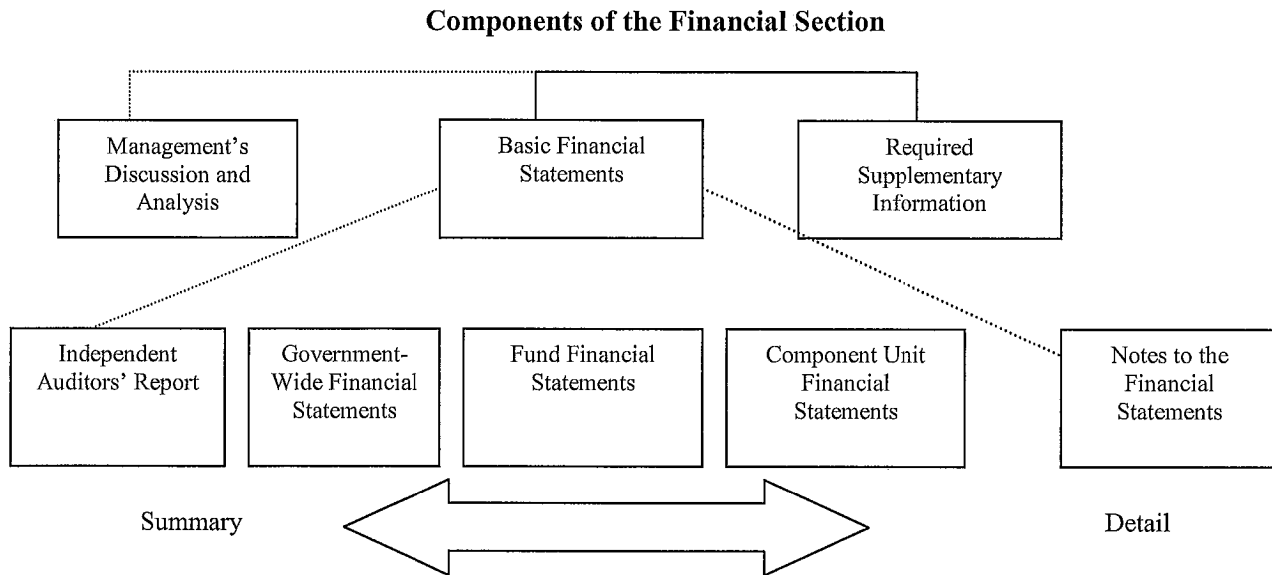
Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 30, 2010

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

**CITY OF BEE CAVE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
 September 30, 2010

The purpose of the Management's Discussion and Analysis ("MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the City of Bee Cave, Texas (the "City") for the year. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities. Governmental Accounting Standards Board ("GASB") Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**



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

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Assets and the Statement of Activities, 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 Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

**CITY OF BEE CAVE, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2010

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

The Statement of Net Assets and the Statement of Activities present one class of activities as well as a component unit for the City:

1. Governmental Activities – The City's basic services are reported here, 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.
2. Component Unit – The City itself is the primary government. The Bee Cave Economic Development Corporation (the "Corporation") is established as a separate legal entity. The City maintains financial accountability, thus, the Corporation is reported as a *discrete component unit*, separate from the financial transactions of the City.

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

**FUND FINANCIAL STATEMENTS**

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with its budget.

**CITY OF BEE CAVE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
September 30, 2010

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund, 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 assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$33,993,929 as of year end.

The largest portion of the City's net assets (78.3%) 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 Assets**

The following table reflects the condensed Statement of Net Assets:

	2010		2009	
	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
Current and other assets	\$ 8,154,046	\$ 2,421,949	\$ 7,259,597	\$ 2,427,589
Capital assets, net	30,733,657	5,131,245	31,217,684	5,131,245
<b>Total Assets</b>	<u>38,887,703</u>	<u>7,553,194</u>	<u>38,477,281</u>	<u>7,558,834</u>
Long-term liabilities	4,100,055	5,605,000	4,335,525	5,805,000
Other liabilities	793,719	157,961	1,167,404	302,789
<b>Total Liabilities</b>	<u>4,893,774</u>	<u>5,762,961</u>	<u>5,502,929</u>	<u>6,107,789</u>
Net assets:				
Invested in capital assets, net of related debt	26,633,602	539,670	26,882,159	-
Restricted	3,919,212	1,250,563	2,304,339	1,451,045
Unrestricted	3,441,115	-	3,787,854	-
<b>Total Net Assets</b>	<u>\$ 33,993,929</u>	<u>\$ 1,790,233</u>	<u>\$ 32,974,352</u>	<u>\$ 1,451,045</u>

A portion of the primary government's net assets (11.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,441,115, may be used



**CITY OF BEE CAVE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
September 30, 2010

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 assets of \$1,019,577.

**Statement of Activities**

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

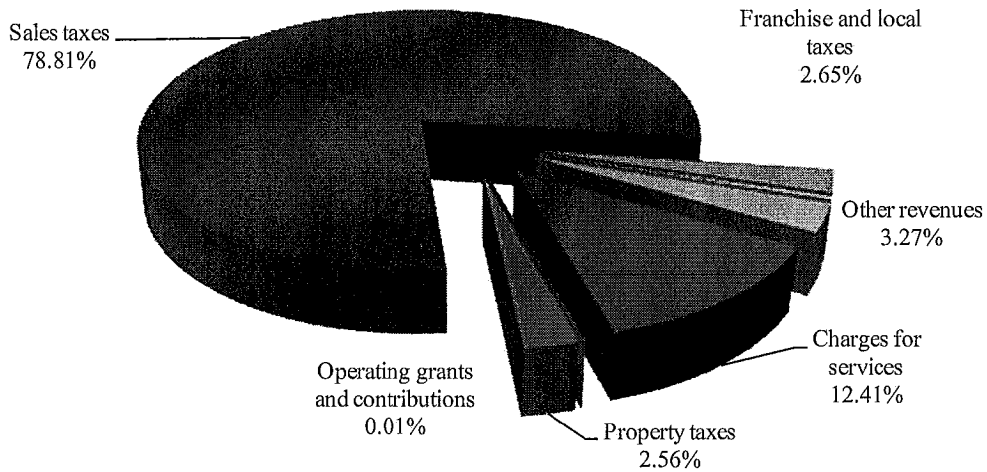
**CONDENSED STATEMENT OF ACTIVITIES**

	Governmental Activities		Component Unit	
	2010	2009	2010	2009
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 793,426	\$ 598,151	\$ -	\$ -
Operating grants and contributions	344	-	-	-
General revenues:				
Property taxes	164,005	160,772	-	-
Sales taxes	5,039,619	5,167,946	719,946	738,278
Franchise and local taxes	169,741	166,615	-	-
Contributions	-	1,300	-	-
Investment earnings	18,262	76,382	2,978	19,868
Other revenues	209,382	48,586	-	247,788
<b>Total Revenues</b>	<u>6,394,779</u>	<u>6,219,752</u>	<u>722,924</u>	<u>1,005,934</u>
<b>Expenses</b>				
General government	2,049,158	1,343,247	383,736	274,941
Public safety	1,481,700	1,606,685	-	-
Community services	526,276	692,131	-	-
Hcalth	-	4,735	-	-
Culture and recreation	281,197	617,602	-	-
Economic development-380 agreement	877,322	1,019,773	-	-
Interest and fiscal agent fees	159,549	168,661	-	-
<b>Total Expenses</b>	<u>5,375,202</u>	<u>5,452,834</u>	<u>383,736</u>	<u>274,941</u>
<b>Change in Net Assets</b>	1,019,577	766,918	339,188	730,993
Beginning Net Assets	<u>32,974,352</u>	<u>32,207,434</u>	<u>1,451,045</u>	<u>720,052</u>
<b>Ending Net Assets</b>	<u>\$ 33,993,929</u>	<u>\$ 32,974,352</u>	<u>\$ 1,790,233</u>	<u>\$ 1,451,045</u>

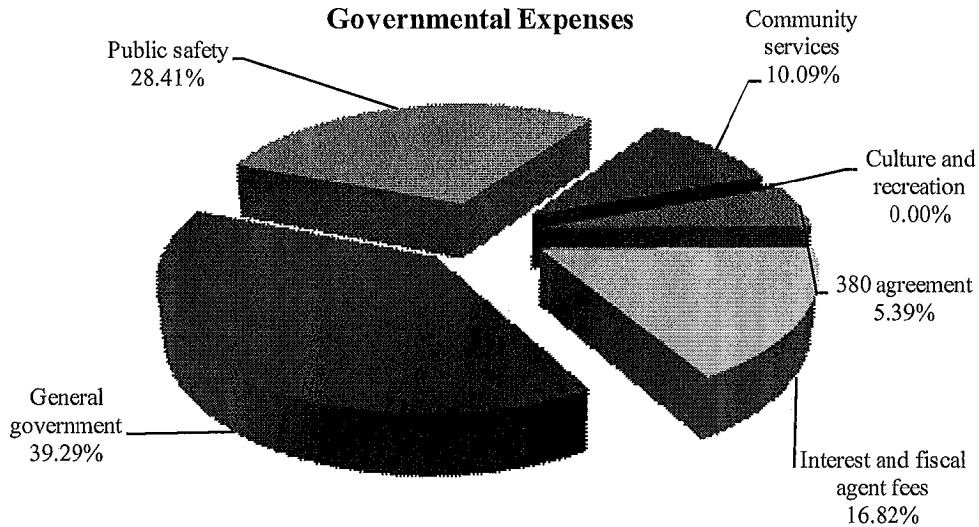
**CITY OF BEE CAVE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 September 30, 2010

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

**Governmental Revenues**



**Governmental Expenses**



For the year ended September 30, 2010, revenues from governmental activities totaled \$6,394,779, an increase of \$175,027 (3%) compared to the prior year. The majority of this change is due to increases in charges for services and other revenues, which included a settlement payment reached between the City and Hill Country Galleria.

As of the end of the fiscal year, expenses for governmental activities totaled \$5,375,202, which represents a \$77,632 decrease from 2009. Much of this decrease is due to overall reductions in expenses in both public safety and community services.

**CITY OF BEE CAVE, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2010

**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 unreserved 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 \$7,355,195. Of this, \$3,919,212 is reserved for various purposes, \$35,000 is designated for contingency, \$230,169 for economic development, and \$3,170,814 is unreserved in the general fund.

There was an increase in the combined fund balance of \$1,234,805 in comparison to the prior year, which was primarily the result of a decrease in capital expenditures.

The general fund had revenues which exceeded expenditures by \$736,489 and, after transfers, the net change in fund balance was a decrease of \$46,697.

The road maintenance fund had a positive net change in fund balance of \$719,946 for sales taxes received.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund revenues were more than original and amended budgeted revenues by \$672,915 during the year. This net variance is primarily attributable to higher sales taxes than forecasted. General fund expenditures came in under the amended budget by \$350,394 and after transfers to other funds, there was a net positive variance of \$240,123 from the amended budget for the year.

During the year, City Council amended the budget for the following purposes:

- To transfer appropriations between functions to pay for unscheduled commitments.

**CAPITAL ASSETS**

At the end of the year, the City's governmental activities funds had invested \$30,733,657, net of depreciation, in a variety of capital assets and infrastructure. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the year include the following:

- Construction of Central Park

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 bonds outstanding of \$9,635,000. Of this amount, \$5,605,000 was tax revenue debt and \$4,030,000 was general obligation debt.

**CITY OF BEE CAVE, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2010

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**

The City, like every other small municipality, took decisive measures to stretch revenue dollars in fiscal year 2009-2010. Similarly, this cautious, conservative approach was applied to the next fiscal year budget planning as a response to the nationwide recession. Unlike other municipalities, the City Council, through sound fiscal policy, is keeping property taxes as low as any in Texas and asking all City departments to conduct operations in a lean, efficient manner without adversely impacting services 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 City of Bee Cave, Travis Askey, Deputy City Administrator, 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](http://www.beecavetexas.com).

***FINANCIAL STATEMENTS***

# CITY OF BEE CAVE, TEXAS

## STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government	Component
	Governmental Activities	Unit
<b><u>Assets</u></b>		
Cash and equity in pooled cash	\$ 7,264,318	\$ 2,164,862
Receivables, net	856,702	121,792
Prepaid items	37	-
Due from component unit	11,322	-
Due from primary government	-	78,946
	8,132,379	2,365,600
Deferred charges	21,667	56,349
Capital assets:		
Non-depreciable	15,430,835	5,131,245
Net depreciable capital assets	15,302,822	-
<b>Total Capital Assts</b>	30,733,657	5,131,245
<b>Total Noncurrent Assets</b>	30,755,324	5,187,594
<b>Total Assets</b>	38,887,703	7,553,194
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	694,081	134,415
Interest payable	20,692	12,225
Due to primary government	-	11,321
Due to component unit	78,946	-
	793,719	157,961
Noncurrent liabilities:		
Long-term liabilities due within one year	307,533	210,000
Long-term liabilities due in more than one year	3,792,522	5,395,000
	4,100,055	5,605,000
<b>Total Liabilities</b>	4,893,774	5,762,961
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	26,633,602	539,670
Restricted for:		
Debt service	600	-
Capital projects	88,852	-
Public safety	349,685	-
Road maintenance	3,291,464	-
Beautification	188,611	-
Economic development	-	1,250,563
Unrestricted	3,441,115	-
<b>Total Net Assets</b>	\$ 33,993,929	\$ 1,790,233

See Notes to Financial Statements.

# CITY OF BEE CAVE, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 2,049,158	\$ -	\$ 344
Public safety	1,481,700	241,414	-
Community services	526,276	552,012	-
Culture and recreation	281,197	-	-
Economic development-380 agreement	877,322	-	-
Interest and fiscal agent fees	159,549	-	-
<b>Total Governmental Activities</b>	<b>5,375,202</b>	<b>793,426</b>	<b>344</b>
<b>Total Primary Government</b>	<b>\$ 5,375,202</b>	<b>\$ 793,426</b>	<b>\$ 344</b>
 <b>Component Unit</b>			
Bee Cave Development Corporation	\$ 383,736	\$ -	\$ -
<b>Total Component Unit</b>	<b>\$ 383,736</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

- Taxes
  - Property taxes
  - Sales taxes
  - Franchise fees and local taxes
- Investment earnings
- Other revenues

**Total General Revenues**  
**Change in Net Assets**

Beginning net assets

**Ending Net Assets**

See Notes to Financial Statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Component Unit</b>	
\$ (2,048,814)	\$ -	
(1,240,286)	-	
25,736	-	
(281,197)	-	
(877,322)	-	
(159,549)	-	
(4,581,432)		
(4,581,432)	-	
-	(383,736)	
-	(383,736)	
164,005	-	
5,039,619	719,946	
169,741	-	
18,262	2,978	
209,382	-	
5,601,009	722,924	
1,019,577	339,188	
32,974,352	1,451,045	
\$ 33,993,929	\$ 1,790,233	



# CITY OF BEE CAVE, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2010

	General	Road Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and equity in pooled cash	\$ 5,245,560	\$ 1,398,313	\$ 620,445	\$ 7,264,318
Receivables, net	732,563	121,792	2,347	856,702
Prepaid items	-	-	37	37
Due from other funds	-	1,771,359	214,978	1,986,337
Due from component unit	11,322	-	-	11,322
<b>Total Assets</b>	<b>\$ 5,989,445</b>	<b>\$ 3,291,464</b>	<b>\$ 837,807</b>	<b>\$ 10,118,716</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 527,927	\$ -	\$ 166,154	\$ 694,081
Deferred revenue	1,810	-	2,347	4,157
Due to other funds	1,986,337	-	-	1,986,337
Due to component unit	78,946	-	-	78,946
<b>Total Liabilities</b>	<b>2,595,020</b>	<b>-</b>	<b>168,501</b>	<b>2,763,521</b>
<b>Fund Balances</b>				
Reserved for:				
Debt service	-	-	600	600
Capital projects	-	-	88,852	88,852
Public safety	-	-	349,685	349,685
Road maintenance	-	3,291,464	-	3,291,464
Beautification	188,611	-	-	188,611
Unreserved, designated for:				
Contingency	35,000	-	-	35,000
Economic development	-	-	230,169	230,169
Unreserved, undesignated reported in:				
General fund	3,170,814	-	-	3,170,814
<b>Total Fund Balances</b>	<b>3,394,425</b>	<b>3,291,464</b>	<b>669,306</b>	<b>7,355,195</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,989,445</b>	<b>\$ 3,291,464</b>	<b>\$ 837,807</b>	

Adjustments for the Statement of Net Assets:

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

Capital assets - non-depreciable 15,430,835

Capital assets - net depreciable 15,302,822

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

4,157

Some liabilities, including notes payable, are not reported as liabilities in the governmental funds.

Accrued interest (20,692)

Deferred charges 21,667

Non-current liabilities due within one year (307,533)

Non-current liabilities due in more than one year (3,792,522)

**Net Assets of Governmental Activities** **\$ 33,993,929**

See Notes to Financial Statements.

**CITY OF BEE CAVE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2010

	General	Road Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 163,529	\$ 163,529
Sales taxes	4,319,673	719,946	-	5,039,619
Franchise fees and local taxes	169,741	-	-	169,741
Licenses and permits	552,012	-	-	552,012
Fines and forfeitures	4,596	-	236,818	241,414
Investment earnings	16,832	-	1,430	18,262
Contributions	-	-	344	344
Other revenue	209,382	-	-	209,382
<b>Total Revenues</b>	<u>5,272,236</u>	<u>719,946</u>	<u>402,121</u>	<u>6,394,303</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,833,698	-	-	1,833,698
Public safety	1,223,915	-	165,082	1,388,997
Community services	296,802	-	-	296,802
Culture and recreation	278,656	-	-	278,656
Economic development-380 agreement	877,322	-	-	877,322
<b>Capital outlay</b>	25,354	-	63,241	88,595
<b>Debt service:</b>				
Principal	-	-	240,000	240,000
Interest	-	-	155,428	155,428
<b>Total Expenditures</b>	<u>4,535,747</u>	<u>-</u>	<u>623,751</u>	<u>5,159,498</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>736,489</u>	<u>719,946</u>	<u>(221,630)</u>	<u>1,234,805</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	783,186	783,186
Transfers out	(783,186)	-	-	(783,186)
<b>Total Other Financing Sources (Uses)</b>	<u>(783,186)</u>	<u>-</u>	<u>783,186</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(46,697)	719,946	561,556	1,234,805
Beginning fund balances	3,441,122	2,571,518	107,750	6,120,390
<b>Ending Fund Balances</b>	<u>\$ 3,394,425</u>	<u>\$ 3,291,464</u>	<u>\$ 669,306</u>	<u>\$ 7,355,195</u>

See Notes to Financial Statements.

**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**  
**For the Year Ended September 30, 2010**

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

Net changes in fund balances - total governmental funds	\$	1,234,805
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital purchases		52,554
Depreciation expense		(536,581)

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

Change in deferred revenue		476
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The issuance of long-term debt (e.g., notes, bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		268,928
Accrued interest		(4,121)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>1,016,061</b>
		<u><u>3,516</u></u>

See Notes to Financial Statements.

# **CITY OF BEE CAVE, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2010

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The City of Bee Cave, Texas (the "City") is a municipal corporation incorporated as a type-A general law government. The City operates under a mayor and City council (the "Council") form of government and provides such services as are authorized by the Texas Local Government Code to advance the welfare, health morals, comfort, safety and convenience of the City and its inhabitants.

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 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.

#### **Discretely Presented Component Unit**

##### **Bee Cave Development Corporation**

The Bee Cave Development Corporation (the "Corporation") has been included in the reporting entity as a discretely presented 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 assets of the Corporation shall be conveyed to the City. Separate financial statements of the Corporation may be obtained from the City.

**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2010

**B. Financial Statement Presentation**

These financial statements include implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain requirements of the statement include the following:

- A Management’s Discussion and Analysis (“MD&A”) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City’s activities.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, if applicable. Governmental activities are normally supported by taxes and intergovernmental revenues.

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 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 equity, revenues, and expenditures or expenses, as appropriate.

**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2010

Following is a description of the various funds:

**Governmental Funds**

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

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, and charges for services. Expenditures include general government, public safety, community services, and culture and recreation.

**Special Revenue Funds**

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted or designated by City Council to expenditures for specified purposes. The special revenue funds include the road maintenance, economic development, and municipal court funds. For reporting purposes the road maintenance fund is considered a major fund while the economic development and municipal court funds are considered nonmajor.

**Debt Service Fund**

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

**Capital Project Fund**

The capital project fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings, contributed capital or transfers from other funds for acquisition and/or construction of capital facilities and equipment. The capital projects fund is considered a nonmajor fund for reporting purposes.

**D. Measurement Focus and Basis of Accounting**

The government-wide Statements of Net Assets and Statements of Activities are accounted for on a flow of economic resources measurement focus, which is the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

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

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

**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2010

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

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

**E. Assets, Liabilities, and Net Assets or Fund Equity**

**1. 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 end. Amounts on deposit in interest-bearing accounts and other cash equivalents (short term investments with original maturities of three months or less from the date of acquisition) are displayed on the combined balance sheet as “cash and equity in pooled cash.”

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

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

Obligations of the United States or its agencies and instruments

Obligations of the state of Texas or its agencies and instrumentalities

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

**2. Receivables/Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2010**

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

Property Taxes

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.

**3. Inventories and Prepaid Items**

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

**4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Furniture and equipment are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of one year or more. Buildings and improvements and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City does not capitalize net interest cost. 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:

Asset Description	Estimated Useful Life
Vehicles	3 to 5 years
Computers and equipment	3 to 5 years
Furniture and fixtures	7 to 10 years
Infrastructure	10 to 40 years
Buildings and improvements	40 years

**5. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets, if applicable. The long-term debt consists primarily of bonds payable and capital leases.

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,



**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2010**

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.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

**6. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. Amounts of vested or accumulated vacation leave that are not expected to liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balances represent available balances for the City's future use.

**8. Estimates**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general 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, or department, level. City Council may amend the budget throughout the year. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

**A. Excess of Expenditures Over Appropriations**

For the year, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
Transfers (Out)	\$783,186

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity Years</u>	<u>Credit Risk</u>
External investment pools:			
TexPool	\$ 1,701,457	0.00	AAAm
TexSTAR	1,751,199	0.00	AAAm
LOGIC	1,166,169	0.00	AAA
CLASS	2,432,318	0.00	AAAm
Total fair value	<u>\$ 7,051,143</u>		
Portfolio weighted average maturity		0.00	

*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 safekeep 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.

**TexPool**

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

**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2010

**TexSTAR**

The Texas Short Term Asset 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. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

**LOGIC**

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 represent the co-administrators of LOGIC.

**CLASS**

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”), MBIA Municipal Investors Service 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, TX 78701-9996 or by calling (800)707-6242.

Each of the external investment pools (the “Pools”) operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The Pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the Pools are the same as the value of Pool shares.

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

**B. Receivables**

The following comprise receivable balances at year end:

	Road			Total
	General	Maintenance	Nonmajor	
Property taxes	\$ 1,929	\$ -	\$ 2,422	\$ 4,351
Sales taxes	730,753	121,792	-	852,545
Less allowance	(119)	-	(75)	(194)
	<u>\$ 732,563</u>	<u>\$ 121,792</u>	<u>\$ 2,347</u>	<u>\$ 856,702</u>

**C. Capital Assets**

A summary of changes in capital assets at year end were as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 11,261,928	\$ -	\$ -	\$ 11,261,928
Construction in progress	4,134,183	34,724	-	4,168,907
Total capital assets not being depreciated	<u>15,396,111</u>	<u>34,724</u>	<u>-</u>	<u>15,430,835</u>
Other capital assets:				
Infrastructure	9,190,174	-	-	9,190,174
Buildings and improvements	7,404,609	1,550	-	7,406,159
Furniture and equipment	942,948	16,280	-	959,228
Total other capital assets	<u>17,537,731</u>	<u>17,830</u>	<u>-</u>	<u>17,555,561</u>
Less accumulated depreciation for:				
Infrastructure	(689,262)	(229,754)	-	(919,016)
Buildings and improvements	(372,023)	(185,154)	-	(557,177)
Furniture and equipment	(654,873)	(121,673)	-	(776,546)
Total accumulated depreciation	<u>(1,716,158)</u>	<u>(536,581)</u>	<u>-</u>	<u>(2,252,739)</u>
Other capital assets, net	<u>15,821,573</u>	<u>(518,751)</u>	<u>-</u>	<u>15,302,822</u>
<b>Totals</b>	<u>\$ 31,217,684</u>	<u>\$ (484,027)</u>	<u>\$ -</u>	<u>30,733,657</u>
			Less associated debt	<u>(4,066,597)</u>
			<b>Invested in Capital Assets, Net of Related Debt</b>	<u>\$ 26,667,060</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 209,629
Public safety	94,430
Community services	229,754
Culture and recreation	2,768
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 536,581</u>

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

**D. Long-Term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes, and other payables:					
General obligation bonds	\$ 4,270,000	-	240,000	4,030,000 *	\$ 250,000
Capital leases	65,525	-	28,928	36,597 *	30,767
	<u>4,335,525</u>	<u>-</u>	<u>268,928</u>	<u>4,066,597</u>	<u>280,767</u>
Other liabilities:					
Compensated absences	36,974	-	3,516	33,458	26,766
	<u>36,974</u>	<u>-</u>	<u>3,516</u>	<u>33,458</u>	<u>26,766</u>
<b>Total Governmental Activities</b>	<u>\$ 4,372,499</u>	<u>\$ -</u>	<u>\$ 272,444</u>	<u>\$ 4,100,055</u>	<u>\$ 307,533</u>
				<u>\$ 3,792,522</u>	
<b>Component Unit:</b>					
Tax revenue bonds	\$ 5,805,000	-	200,000	5,605,000 **	\$ 210,000
<b>Total Component unit</b>	<u>\$ 5,805,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 5,605,000</u>	<u>\$ 210,000</u>
				<u>\$ 5,395,000</u>	
<b>* Debt associated with governmental activity capital assets</b>				\$ 4,066,597	
<b>** Debt associated with component unit capital assets</b>				\$ 5,605,000	

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

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

General Obligation Bonds

The City issued general obligation bonds, series 2008, in the amount of \$4,500,000 for the purpose of capital improvements. The bonds bear an interest rate of 3.64 percent annually. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. The annual debt service requirements to maturity for these bonds are as follows:

**General Obligation Bonds, Series 2008**

Year Ending Sept. 30	Principal	Interest
2011	\$ 250,000	\$ 146,692
2012	255,000	137,592
2013	265,000	128,310
2014	275,000	118,664
2015	285,000	108,654
2016-2020	1,595,000	379,288
2021-2023	1,105,000	81,354
<b>Total</b>	<b>\$ 4,030,000</b>	<b>\$ 1,100,554</b>

Tax Revenue Bonds – Bee Cave Development Corporation

The City's component unit, the Bee Cave Development Corporation, has also issued general obligation bonds to finance capital improvements, payable from a lien on and pledge of revenues which includes the proceeds of a one-fourth of one percent sales tax. The bonds were originally issued in the amount of \$6,000,000 and bear interest at a rate of 4.43 percent annually. Annual debt service to maturity for these bonds is as follows:

**Tax Revenue Bonds, Series 2007**

Year Ending Sept. 30	Principal	Interest
2011	\$ 210,000	\$ 248,301
2012	220,000	238,998
2013	230,000	229,252
2014	240,000	219,063
2015	250,000	208,431
2016-2020	1,420,000	866,509
2021-2025	1,775,000	521,634
2026-2028	1,260,000	113,408
<b>Total</b>	<b>\$ 5,605,000</b>	<b>\$ 2,645,596</b>

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles. As of yearend, the City had three outstanding police vehicle leases through Ford Motor Credit with interest rates ranging from 5.95 to 6.60 percent. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2010 are as follows:

<b>Year Ending Sept. 30</b>	<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 30,767	\$ 2,303
2012	5,830	347
<b>Total</b>	<b>\$ 36,597</b>	<b>\$ 2,650</b>

The historical cost of the vehicles was \$120,891. After deducting accumulated depreciation of \$82,972, the net book value is \$37,919.

The City is not obligated in any manner for special assessment debt.

**E. Interfund Transactions**

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

<b>Transfer Out</b>	<b>Transfer In</b>	<b>Amounts</b>
General	Debt service	\$ 232,000
General	Capital projects	551,186
		<b>\$ 783,186</b>

The compositions of interfund balances as of year-end were as follows:

<b>Due From</b>	<b>Due To</b>	<b>Amounts</b>
General	Road maintenance	\$ 1,771,359
General	Nonmajor	214,978
		<b>\$ 1,986,337</b>

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

**F. Fund Equity**

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances reserved or designated as recognized by the City:

<b>General</b>	
Reserved for beautification	\$ 188,611
Designated for contingency	\$ 35,000
 <b>Road Maintenance</b>	
Reserved for road maintenance	\$ 3,291,464 *
 <b>Nonmajor</b>	
Reserved for:	
Debt service	\$ 600
Capital projects	\$ 88,852
Public safety	\$ 349,685 *
Designated for:	
Economic development	\$ 230,169

\* Restricted by enabling legislation

The City has also restated beginning fund balance for the general fund and road maintenance fund, as well as beginning net assets for governmental activities, to correct for the reporting of one month's collection of sales tax held by the State Comptroller but not remitted to the City for the previous year. The restatement of beginning fund balance and net assets is as follows:

	<b>General Fund</b>	<b>Road Maintenance</b>	<b>Governmental Activities</b>	<b>Component Unit</b>
Prior year ending fund balance/net assets as reported	\$ 3,108,588	\$ 2,516,096	\$ 32,586,396	\$ 1,395,623
Increase sales tax	332,534	55,422	387,956	55,422
Restated beginning fund balance/ net assets	\$ 3,441,122	\$ 2,571,518	\$ 32,974,352	\$ 1,451,045

**IV. OTHER INFORMATION**

**A. Risk Management**

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



**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2010

**B. Contingent Liabilities**

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

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

**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.

In July 2005, the City approved a Chapter 380 Economic Development Agreement with the Hill Country Galleria (the "HCG") whereby a 156-acre, mixed use development consisting of approximately one million square feet of retail, office, and restaurant space would be constructed within the City boundaries.

In addition to the economic benefits that the City received from increased economic activity within the City, the HCG developers also provided capital improvements to the City estimated at \$62 million. In exchange for these economic benefits and capital improvements, the City is obligated to pay to the HCG development manager a total of 55 percent of the sales taxes collected each year in the new development for the first four years and then 50 percent thereafter. These payments will continue for 15 years, or until total payments have reached \$21 million, whichever occurs first. For purposes of calculating the reduction in the payment cap of \$21 million, payments made to HCG are calculated on the current value basis. For purposes of calculating the current value basis, the amount of a payment applied to the payment cap is to be discounted at a rate of ten percent per annum from the initial payment date.

HCG subsequently filed for bankruptcy and entered into default status under the 380 agreement with the City. In January of 2010 an agreement was reached between HCG, the City, and REIT Management and Research Trust ("RMR") in which the default status was cured and RMR assumed the 380 agreement with the City.

The City has a similar agreement in regard to another development within the City called the Shops at the Galleria whereby approximately 88 acres of land is to be developed for retail and related uses. In this agreement, the City pays 45 percent of the sales taxes collected within that development to the development manager, Lincoln Management. These payments are to continue until a payment cap, calculated on the current value basis, of \$4,950,000 is reached or a period of 15 years has elapsed, whichever is sooner. However, if the payment cap has not been reached by the end of 15 years, the agreement will automatically extend up to five years. For purposes of calculating the current value basis, the amount of a payment applied to the payment cap is to be discounted at a rate of ten percent per annum from the initial payment date. In addition to the economic benefits that the City receives from the increased economic activity within this development, the City also received the benefit of highway improvements to portions of State Highway 71 located within the City, which were paid for by the developer.

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

**C. Pension Plan**

**Texas Municipal Retirement System**

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8611. In addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>2010</u>	<u>2009</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	Transfers	Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Benefits

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

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2010

Contributions

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

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Annual Req. Contrib. (ARC)	\$ 118,435	\$ 138,981	\$ 128,634
Contributions Made	118,435	138,981	128,634
NPO at the End of Period	\$ -	\$ -	\$ -

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Valuation Date	12/31/2009	12/31/2008	12/31/2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	24 years - closed period	24 years - closed period	25 years - closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	Amortized Cost	Amortized Cost
Investment Rate of Return	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00% 0.0%	3.00% 0.0%	3.00% 0.0%

**CITY OF BEE CAVE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2010**

The funded status as of December 31, 2009, the most recent valuation date, is as follows:

		<u>2010</u>
Actuarial Valuation Date		12/31/2009
Actuarial Value of Assets	\$	1,181,338
Actuarial Accrued Liability	\$	1,506,747
Funded Ratio		78.4%
Unfunded Actuarial Accrued Liability (UAAL)	\$	325,409
Annual Covered Payroll	\$	1,855,177
UAAL as a Percentage of Covered Payroll		17.5%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**D. Other Post-Employee Benefits**

**TMRS - Supplemental Death Benefit Fund**

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death), and retired employees are insured for \$7,500. This coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the pension trust fund. For the year ended September 30, 2010, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

**CITY OF BEE CAVE, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
 September 30, 2010

The City's contribution rate to the TMRS SDBF for the retiree portion, for the year ended September 30, 2010, is shown below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Req. Contrib. (Rate)	0.01%	0.01%	0.01%
Actual Contribution Made	0.01%	0.01%	0.01%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF BEE CAVE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2010

	Budgeted Amounts			
	Original Budget	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Sales	\$ 3,381,621	\$ 3,687,096	\$ 4,319,673	\$ 632,577
Franchise fees and local taxes	150,000	169,740	169,741	1
Licenses and permits	220,000	555,676	552,012	(3,664)
Fines and forfeitures	1,750	2,496	4,596	2,100
Investment earnings	70,000	15,151	16,832	1,681
Other revenue	2,500	169,162	209,382	40,220
<b>Total Revenues</b>	<b>3,825,871</b>	<b>4,599,321</b>	<b>5,272,236</b>	<b>672,915</b>
<b>Expenditures</b>				
Current:				
General government	1,301,936	1,922,257	1,833,698	88,559
Public safety	1,215,922	1,290,009	1,223,915	66,094
Community services	286,926	299,301	296,802	2,499
Culture and recreation	280,157	286,532	278,656	7,876
Economic development-380 agreement	902,000	1,037,577	877,322	160,255
Capital outlay	119,838	50,465	25,354	25,111
<b>Total Expenditures</b>	<b>4,106,779</b>	<b>4,886,141</b>	<b>4,535,747</b>	<b>350,394</b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(280,908)</b>	<b>(286,820)</b>	<b>736,489</b>	<b>1,023,309</b>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	-	-	(783,186)	(783,186) *
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(783,186)</b>	<b>(783,186)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (280,908)</b>	<b>\$ (286,820)</b>	<b>(46,697)</b>	<b>\$ 240,123</b>
Beginning fund balance			3,441,122	
<b>Ending Fund Balance</b>			<b>\$ 3,394,425</b>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \* Expenditures exceeded appropriations at the legal level of control.

**CITY OF BEE CAVE, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**

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

<b>Fiscal Year</b>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Actuarial Value of Assets	\$ 1,181,338	\$ 931,340	\$ 684,307	\$ 468,196
Actuarial Accrued Liability	\$ 1,506,747	\$ 1,158,268	\$ 898,135	\$ 508,632
Percentage Funded	78.4%	80.4%	76.2%	92.1%
Unfunded Actuarial				
Accrued Liability	\$ 325,409	\$ 226,928	\$ 213,828	\$ 40,436
Annual Covered Payroll	\$ 1,855,177	\$ 2,036,843	\$ 1,522,915	\$ 923,313
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	17.5%	11.1%	14.0%	4.4%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	118,435	138,981	128,634	102,090
Contributions Made	118,435	138,981	128,634	102,090
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



***COMBINING STATEMENTS  
AND SCHEDULES***

# CITY OF BEE CAVE, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2010

	Capital Projects	Debt Service	Special Revenue Funds	
			Economic Development	Municipal Court
<b><u>Assets</u></b>				
Cash and equity in pooled cash	\$ 88,815	\$ 600	\$ 230,169	\$ 300,861
Accounts receivable, net	-	2,347	-	-
Prepaid items	37	-	-	-
Due from other funds	-	-	-	214,978
<b>Total Assets</b>	<b>\$ 88,852</b>	<b>\$ 2,947</b>	<b>\$ 230,169</b>	<b>\$ 515,839</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 166,154
Deferred revenue	-	2,347	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>2,347</b>	<b>-</b>	<b>166,154</b>
<b><u>Fund Balances</u></b>				
Reserved for:				
Debt service	-	600	-	-
Capital projects	88,852	-	-	-
Public safety	-	-	-	349,685
Unreserved, designated for:				
Economic development	-	-	230,169	-
<b>Total Fund Balances</b>	<b>88,852</b>	<b>600</b>	<b>230,169</b>	<b>349,685</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 88,852</b>	<b>\$ 2,947</b>	<b>\$ 230,169</b>	<b>\$ 515,839</b>

See Notes to Financial Statements.

**Total  
Nonmajor  
Governmental  
Funds**

\$	620,445
	2,347
	37
	<u>214,978</u>
\$	<u><u>837,807</u></u>

	166,154
	<u>2,347</u>
	<u>168,501</u>

	600
	88,852
	349,685
	<u>230,169</u>
	<u>669,306</u>
\$	<u><u>837,807</u></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, 2010

	Capital Projects	Debt Service	Special Revenue Funds	
			Economic Development	Municipal Court
<b>Revenues</b>				
Taxes:				
Property	\$ -	\$ 163,529	\$ -	\$ -
Fines and forfeitures	-	-	-	236,818
Investment earnings	1,430	-	-	-
Contributions	344	-	-	-
<b>Total Revenues</b>	<b>1,774</b>	<b>163,529</b>	<b>-</b>	<b>236,818</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	-	-	165,082
<b>Capital outlay</b>	<b>63,241</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt service:</b>				
Principal	-	240,000	-	-
Interest	-	155,428	-	-
<b>Total Expenditures</b>	<b>63,241</b>	<b>395,428</b>	<b>-</b>	<b>165,082</b>
<b>Excess of Revenues Over         (Under) Expenditures</b>	<b>(61,467)</b>	<b>(231,899)</b>	<b>-</b>	<b>71,736</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	551,186	232,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>551,186</b>	<b>232,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>489,719</b>	<b>101</b>	<b>-</b>	<b>71,736</b>
Beginning fund balances	(400,867)	499	230,169	277,949
<b>Ending Fund Balances</b>	<b>\$ 88,852</b>	<b>\$ 600</b>	<b>\$ 230,169</b>	<b>\$ 349,685</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

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\$ 163,529  
236,818  
1,430  
344  

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402,121

165,082  
63,241

240,000  
155,428  

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623,751

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(221,630)

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783,186  

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783,186

561,556  
107,750

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\$ 669,306  

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