

**CITY OF PARKER, FLORIDA**

**PARKER, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

*RAM*

**City of Parker  
Financial Statements  
September 30, 2004**

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**City of Parker  
Financial Statements  
September 30, 2004**

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**Independent Auditors' Report**

Honorable Mayor and Members  
of the City Council  
City of Parker, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Parker, Florida (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Parker, Florida, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, effective October 1, 2003, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and GASB Statement 38, *Certain Financial Statement Note Disclosures*.

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of the City Council  
City of Parker, Florida  
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
March 7, 2005

**City of Parker, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2004**

Management's discussion and analysis provide an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

***FINANCIAL HIGHLIGHTS***

- Total assets of the City exceeded total liabilities by \$6,788,785 (net assets). Of this amount, \$729,045 is unrestricted net assets for Governmental Activities and \$2,293,714 is unrestricted net assets for Business-type Activities, while \$1,716,379 is restricted net assets for Governmental Activities and \$2,049,647 is a restricted net asset for Business-type Activities.
- Total net assets increased by \$340,495. Of this amount, \$288,823 is attributable to Governmental Activities and \$51,672 is attributable to Business-type Activities.
- As of September 30, 2004, the general fund's unreserved fund balance was \$670,292 or 38 percent of total general fund expenditures.
- Governmental Activities revenues increased to \$2,016,028 or 14 percent, while Governmental Activities expenditures increased 1 percent to \$1,727,205. Business-type Activities revenues increased to \$1,677,405 or 3 percent, while Business-type Activities expenditures decreased 3 percent to \$1,625,733.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. Comparative analysis will be provided in future years when prior year information is available. The City's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to basic financial statements*. The *Government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the Government-wide or fund financial statements.

***Government-wide Financial Statements***

The *Government-wide financial statements* include the ***statement of net assets*** and ***statement of activities***. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net

assets. Governmental activities are primarily supported by gross receipts taxes, utility taxes and franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water and sewer charges.

The **statement of net assets** presents information on all assets and liabilities of the City, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets over time may serve as a useful indicator of the City's improving or declining financial position.

The **statement of activities** presents information on all revenues and expenditures of the City and the change in net assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenditures include among others, general government services, public safety, highways and streets, sanitation, and culture and recreation. Business-type activities expenses, which are financed by user fees and charges, include water and sewer services.

### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The major categories of funds found in the City's *fund financial statements* include: governmental funds and proprietary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

*Fund financial statements* for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances**. The City's General Fund includes a **statement of revenues, expenditures, and changes in fund balances-budget and actual**. For the proprietary funds, a **statement of net assets**, a **statement of revenues, expenses, and changes in fund net assets**, and a **statement of cash flows** are presented.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by Governmental Activities and Business-type Activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the **statement of net assets**, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The **statement of activities** includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid "doubling up" the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds, if necessary. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

The *notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

### **FINANCIAL ANALYSIS OF THE CITY**

The following schedule provides a summary of the assets, liabilities and net assets of the City at September 30, 2004. The City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities.

#### **City of Parker, Florida Net Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and Other Assets	\$ 890,746	\$ 3,166,699	\$ 4,057,445
Capital Assets	1,716,379	2,049,647	3,766,026
<b>Total Assets</b>	<b>2,607,125</b>	<b>5,216,346</b>	<b>7,823,471</b>
Current Liabilities	120,556	348,288	468,844
Non-Current Liabilities	41,145	524,697	565,842
<b>Total Liabilities</b>	<b>161,701</b>	<b>872,985</b>	<b>1,034,686</b>
Net Assets Invested in Capital Assets, net of Related Debt	1,716,379	2,049,647	3,766,026
Net Assets-Unrestricted	729,045	2,293,714	3,022,759
<b>Total Net Assets</b>	<b>\$ 2,445,424</b>	<b>\$ 4,343,361</b>	<b>\$ 6,788,785</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net assets (54 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that the City's investment in its capital assets is not encumbered by any debt.

The balance of *unrestricted net assets* (\$2,921,405), representing 44 percent of the City's net assets, may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets for the year ended September 30, 2004.

<b>City of Parker, Florida</b>			
<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Program Revenues</b>			
Charges for Services	\$ 315,319	\$ 1,551,549	\$ 1,866,868
Operating Grants/Contributions	197,036	-	197,036
Capital Grants/Contributions	239,535	-	239,535
<b>General Revenues</b>			
Utility Taxes/Franchise Fees	537,132	-	537,132
Taxes	616,039	-	616,039
Interest and other	110,967	125,856	236,823
<b>Total Revenues</b>	<u>2,016,028</u>	<u>1,677,405</u>	<u>3,693,433</u>
<b>Expenses</b>			
General Government	272,844	-	272,844
Public Safety	726,111	-	726,111
Code Enforcement	34,363	-	34,363
Sanitation	210,212	-	210,212
Highways and Streets	305,457	-	305,457
Maintenance	75,539	-	75,539
Parks and Recreation	102,679	-	102,679
Water and Sewer	-	1,625,733	1,625,733
<b>Total Expenses</b>	<u>1,727,205</u>	<u>1,625,733</u>	<u>3,352,938</u>
<b>Increase in Net Assets</b>	<u>\$ 288,823</u>	<u>\$ 51,672</u>	<u>\$ 340,495</u>

Governmental activities revenues exceeded expenses by \$288,823, while business-type activities revenues exceeded expenses by \$51,672. Total revenues increased \$578,387 from the previous year. Revenues increased significantly as a result of several factors. Utility charges increased \$113,299.

23% of the revenues for governmental activities were generated by operating grants/contributions, 28% by utility taxes and franchise fees, and 32% by tax revenues, including gas tax, ½ cent sales tax and communications tax. Most of the governmental resources were expended for general government (16%), public safety (42%), and highways and streets (18%) activities.

Charges for services provide 80% of the revenues for business-type activities.

## ***FINANCIAL ANALYSIS OF THE CITY'S FUNDS***

### ***Governmental Funds***

#### **General Fund**

The main operating fund of the City is the General Fund. As of September 30, 2004, total assets were \$1,072,662 and total liabilities were \$343,617. At the end of fiscal year 2004, unreserved fund balance of the general fund was \$670,292, while total fund balance equaled \$729,045.

General fund's budget was amended during the year to reflect increases in revenue and the corresponding increases in expenditures which resulted from the increase in available funds. Actual revenues exceeded budget revenues by \$110,952. Actual expenditures were less than budgeted expenditures by the amount of \$119,704.

### ***Proprietary Funds***

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in greater detail. The proprietary fund is reported as a major fund.

Unrestricted net assets of the proprietary fund at the end of the year are \$2,293,714

The *Utility Fund* is used to account for the operations of the City's water and sewer systems.

## ***CAPITAL ASSETS ACTIVITY***

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2004, was \$3,766,026 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

**Capital Assets  
(net of depreciation)  
September 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 500,524	\$ -	\$ 500,524
Buildings and Improvements	194,515	-	194,515
Improvements Other Than Buildings	619,395	1,755,275	2,374,670
Machinery and Equipment	401,945	294,372	696,317
<b>Total</b>	<b>\$ 1,716,379</b>	<b>\$ 2,049,647</b>	<b>\$ 3,766,026</b>

Additional information on the City's capital assets can be found in Note 7 – Capital Assets, of the notes to the basic financial statements.

This report was prepared by the City's finance department. Questions concerning this report or requests for additional information should be addressed to City of Parker, 1001 West Park Street, Parker, Florida 32404, attention Brenda Hendricks, Mayor.

**City of Parker, Florida**  
**Statement of Net Assets**  
**September 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 488,254	\$ 2,300,212	\$ 2,788,466
Accounts receivable (net of allowance for doubtful accounts)	20,371	191,874	212,245
Accrued revenue receivable	203,072	-	203,072
Grants receivable	50,000	-	50,000
Internal balances	70,296	(70,296)	-
Inventory	4,264	-	4,264
Prepaid expenses	54,489	21,575	76,064
Restricted assets			
Cash and cash equivalents	-	723,334	723,334
Total current assets	<u>890,746</u>	<u>3,166,699</u>	<u>4,057,445</u>
Noncurrent assets			
Capital assets (not being depreciated)	500,524	-	500,524
Capital assets (net of accumulated depreciation)	<u>1,215,855</u>	<u>2,049,647</u>	<u>3,265,502</u>
Total noncurrent assets	<u>1,716,379</u>	<u>2,049,647</u>	<u>3,766,026</u>
Total assets	<u>2,607,125</u>	<u>5,216,346</u>	<u>7,823,471</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	71,972	88,938	160,910
Accrued expenses	48,584	11,404	59,988
Due to joint venture	-	247,946	247,946
Total current liabilities	<u>120,556</u>	<u>348,288</u>	<u>468,844</u>
Noncurrent liabilities			
Accrued compensated absences	41,145	13,004	54,149
Customer deposits	-	228,417	228,417
Investment in joint venture	-	283,276	283,276
Total noncurrent liabilities	<u>41,145</u>	<u>524,697</u>	<u>565,842</u>
Total liabilities	<u>161,701</u>	<u>872,985</u>	<u>1,034,686</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	1,716,379	2,049,647	3,766,026
Unrestricted	<u>729,045</u>	<u>2,293,714</u>	<u>3,022,759</u>
Total net assets	<u>\$ 2,445,424</u>	<u>\$ 4,343,361</u>	<u>\$ 6,788,785</u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Statement of Activities**  
**Year Ended September 30, 2004**

Functions / Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		
			Operating Grants and Contributions			Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>								
Governmental activities								
General government	\$ 272,844	\$ 114,564	\$ 121,154	\$ -	-	\$ (37,126)	\$ -	\$ (37,126)
Public safety	726,111	-	21,230	149,278	-	(555,603)	-	(555,603)
Code enforcement	34,363	-	-	-	-	(34,363)	-	(34,363)
Sanitation	210,212	200,755	-	-	-	(9,457)	-	(9,457)
Highways and streets	305,457	-	54,652	-	-	(250,805)	-	(250,805)
Maintenance	75,539	-	-	-	-	(75,539)	-	(75,539)
Parks and recreation	102,679	-	-	90,257	-	(12,422)	-	(12,422)
Total governmental activities	1,727,205	315,319	197,036	239,535	-	(975,315)	-	(975,315)
Business-type activities								
Utility	1,625,733	1,551,549	-	-	-	-	(74,184)	(74,184)
Total business-type activities	1,625,733	1,551,549	-	-	-	-	(74,184)	(74,184)
Total primary government	\$ 3,352,938	\$ 1,866,868	\$ 197,036	\$ 239,535		(975,315)	(74,184)	(1,049,499)
General revenues								
Taxes								
Utility						295,487	-	295,487
Franchise fees						241,645	-	241,645
Local option gas tax						131,991	-	131,991
Communications						133,289	-	133,289
Half cent sales tax						350,759	-	350,759
Total taxes						1,153,171	-	1,153,171
Interest earnings						110,967	125,856	236,823
Total general revenues, interest and other revenue						1,264,138	125,856	1,389,994
Change in net assets						288,823	51,672	340,495
Net assets - beginning						2,156,601	4,291,689	6,448,290
Net assets - ending						\$ 2,445,424	\$ 4,343,361	\$ 6,788,785

The accompanying notes are an integral part of the basic financial statements.

**City of Parker, Florida**  
**Balance Sheet**  
**Governmental Fund**  
**September 30, 2004**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 488,254
Accrued revenue receivable	203,072
Grants receivable	50,000
Accounts receivable	20,371
Due from other funds	252,212
Inventory	4,264
Prepaid expenses	54,489
Total assets	<u>1,072,662</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	71,972
Accrued expenses	48,584
Due to other funds	181,916
Accrued compensated absences	41,145
Total liabilities	<u>343,617</u>
<b>Fund balance</b>	
Reserved for	
Prepays	54,489
Inventory	4,264
Unreserved, reported in	
General fund	670,292
Total fund balance	<u>729,045</u>
Amounts reported for governmental activities in the statement	
of net assets are different because:	
Capital assets used in governmental activities are not financial	
resources and, therefore, are not reported in the funds	<u>1,716,379</u>
Net assets of governmental activities	<u>\$ 2,445,424</u>

The accompanying notes are an integral part of the basic financial statements.

**City of Parker, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended September 30, 2004**

	General Fund
<b>REVENUES</b>	
Taxes	
Utility	\$ 295,487
Franchise fees	241,645
Communications	133,289
Local option gas tax	131,991
Intergovernmental	546,649
Licenses and permits	40,891
Charges for services	187,839
Fines and forfeitures	59,035
Rents	2,145
Interest	14,802
Other fees and miscellaneous	96,316
Total revenues	<u>1,750,089</u>
<b>EXPENDITURES</b>	
Current	
General government	205,948
Public safety	682,295
Code enforcement	34,323
Sanitation	202,026
Highways and streets	286,261
Maintenance	31,284
Parks and recreation	73,241
Capital outlay	
General government	29,043
Public safety	66,328
Sanitation	81,866
Highways and streets	13,769
Maintenance	855
Parks and recreation	57,619
Total expenditures	<u>1,764,858</u>
Excess (deficit) of revenues over (under) expenditures	<u>(14,769)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Grants	109,750
Asset donations	149,278
Park contributions	6,911
Total other financing sources (uses)	<u>265,939</u>
Net change in fund balance	251,170
Fund balance - beginning	<u>477,875</u>
Fund balance - ending	<u><u>\$ 729,045</u></u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance of Governmental**  
**Funds to the Statement of Activities**  
**Year Ended September 30, 2004**

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balance - total governmental funds (page 12)	\$ 251,170
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	<u>37,653</u>
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Change in net assets of governmental activities (page 10)	<u><u>\$ 288,823</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**City of Parker, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**Year Ended September 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Taxes				
Utility	\$ 301,600	\$ 294,302	\$ 295,487	\$ 1,185
Franchise fees	248,000	239,666	241,645	1,979
Communications tax	126,000	136,805	133,289	(3,516)
Local option gas tax	125,000	128,988	131,991	3,003
Intergovernmental	517,430	535,107	546,649	11,542
Licenses and permits	32,900	32,587	40,891	8,304
Charges for services	179,372	186,632	187,839	1,207
Fines and forfeitures	35,500	64,045	59,035	(5,010)
Rents	2,000	2,145	2,145	-
Interest	18,000	14,802	14,802	-
Other fees and miscellaneous	60,000	12,278	96,316	84,038
Total revenues	<u>1,645,802</u>	<u>1,647,357</u>	<u>1,750,089</u>	<u>102,732</u>
<b>EXPENDITURES</b>				
Current				
General government				
Administration	97,687	84,083	86,278	(2,195)
General government	164,415	187,349	148,713	38,636
Total general government	<u>262,102</u>	<u>271,432</u>	<u>234,991</u>	<u>36,441</u>
Public safety				
Police	607,699	582,348	569,133	13,215
Fire	199,711	182,765	179,490	3,275
Total public safety	<u>807,410</u>	<u>765,113</u>	<u>748,623</u>	<u>16,490</u>
Code enforcement	<u>38,688</u>	<u>34,975</u>	<u>34,323</u>	<u>652</u>
Highways and streets	<u>1,608,747</u>	<u>344,624</u>	<u>300,030</u>	<u>44,594</u>
Sanitation	<u>203,233</u>	<u>301,382</u>	<u>283,892</u>	<u>17,490</u>
Maintenance	<u>26,496</u>	<u>33,355</u>	<u>32,139</u>	<u>1,216</u>
Parks and recreation	<u>187,514</u>	<u>133,681</u>	<u>130,860</u>	<u>2,821</u>
Total current	<u>3,134,190</u>	<u>1,884,562</u>	<u>1,764,858</u>	<u>119,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,488,388)</u>	<u>(237,205)</u>	<u>(14,769)</u>	<u>222,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Grants	1,182,744	101,530	109,750	8,220
Asset donations	-	149,278	149,278	-
Park contributions	8,000	6,911	6,911	-
Total other financing sources (uses)	<u>1,190,744</u>	<u>257,719</u>	<u>265,939</u>	<u>8,220</u>
Net change in fund balance	(297,644)	20,514	251,170	230,656
Fund balance - beginning	<u>477,875</u>	<u>477,875</u>	<u>477,875</u>	<u>-</u>
Fund Balance - ending	<u>\$ 180,231</u>	<u>\$ 498,389</u>	<u>\$ 729,045</u>	<u>\$ 230,656</u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2004**

	Business-type Activities / Enterprise Fund
	<u>Utility Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,300,212
Accounts receivable (net of allowance for doubtful accounts)	191,874
Due from other funds	181,916
Prepaid expenses	21,575
Restricted assets:	
Cash-Customer deposits	228,417
Cash-Repair and replacement	446,763
Cash-Revenue bond current debt service	48,154
Total current assets	<u>3,418,911</u>
Noncurrent assets	
Capital assets:	
Property, plant and equipment	3,566,543
Less accumulated depreciation	<u>(1,516,896)</u>
Total noncurrent assets	<u>2,049,647</u>
Total assets	<u>5,468,558</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	88,938
Accrued expenses	11,404
Due to other funds	252,212
Due to joint venture	247,946
Total current liabilities	<u>600,500</u>
Noncurrent liabilities	
Accrued compensated absences	13,004
Customer deposits	228,417
Investment in joint venture	283,276
Total noncurrent liabilities	<u>524,697</u>
Total liabilities	<u>1,125,197</u>
<b>NET ASSETS</b>	
Invested in capital assets (net of related debt)	2,049,647
Unrestricted	2,293,714
Total net assets	<u>\$ 4,343,361</u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Fund**  
**Year Ended September 30, 2004**

	Business-type Activities / Enterprise Fund
	<u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	
Water and sewer charges	\$ 1,451,227
Connection, reset and reactivation fees	18,188
Late fees	46,019
Tap fees	11,338
Impact fees	19,733
Other utility income	5,044
Total operating revenues	<u>1,551,549</u>
<b>OPERATING EXPENSES</b>	
Personal services	262,226
Cash over/short	153
Communications	15,375
Contractual services	3,137
Cost of water and sewer	350,845
Debt service charges	497,784
Depreciation	168,979
Dues and publications	1,338
Fuel and lubricants	9,283
Insurance	10,272
Office supplies	4,286
Operating supplies	24,981
Other current charges	2,461
Postage	30
Printing and binding	2,129
Professional services	35,396
Promotional activities	1,200
Public utility services	17,448
Rentals	1,557
Repairs and maintenance	151,939
Road materials and supplies	965
Travel and per diem	13,200
Uniforms	2,351
Total operating expenses	<u>1,577,335</u>
Net operating income (loss)	<u>(25,786)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	125,856
Loss from joint venture	(45,767)
Loss on disposition of assets	(2,631)
Total nonoperating revenues (expenses)	<u>77,458</u>
Change in net assets	51,672
Total net assets, beginning	<u>4,291,689</u>
Total net assets, ending	<u>\$ 4,343,361</u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2004**

	Business-type Activities / Enterprise Fund
	<u>Utility Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,567,293
Payments to suppliers	(1,095,248)
Payments to employees	(254,873)
Net cash provided by operating activities	<u>217,172</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments from general fund	339,503
Principal payments on capital leases	(59,529)
Purchase of capital assets	(145,551)
Net cash provided by capital and related financing activities	<u>134,423</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Note payments to joint venture	(82,528)
Distributions from joint venture	17,321
Interest received	125,856
Net cash provided by investing activities	<u>60,649</u>
Net increase (decrease) in cash and cash equivalents	412,244
Cash and cash equivalents, beginning	<u>2,611,302</u>
Cash and cash equivalents, ending	<u>\$ 3,023,546</u>
<b>CLASSIFIED AS CASH</b>	
Current assets - cash and cash equivalents	\$ 2,300,212
Restricted assets - cash and cash equivalents	723,334
	<u>\$ 3,023,546</u>
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>	
Net operating income (loss)	\$ (25,786)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	168,979
(Increase) decrease in assets:	
Accounts receivable	(55,591)
Prepaid expenses	34,039
Increase (decrease) in liabilities:	
Accounts payable	19,590
Accrued expenses	3,033
Accrued compensated absences	1,573
Customer deposits	71,335
Total adjustments	<u>242,958</u>
Net cash provided by operating activities	<u>\$ 217,172</u>

The accompanying notes are an integral part of the basic financial statements

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the City of Parker (the City) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The City of Parker, incorporated pursuant to Laws of Florida, 1951, Chapter 27685, Section 5, is a political subdivision of the State of Florida and is located in Bay County. It operates under a Council/Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health, culture and recreation, public improvements, planning and zoning, and general administrative services, and water and sewer utilities.

Measurement Focus and Basis of Accounting

The basic financial statements of the City are composed of the following:

Government-wide financial statements  
Fund financial statements  
Notes to financial statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Government-Wide Financial Statements (continued)

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Governmental Funds (continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability.

Proprietary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Commission applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

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

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Proprietary Funds (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an "other financing" source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds.

Governmental Major Funds

General Fund - The general fund is the general operating fund of the City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

Proprietary Major Funds

Utility Fund - The utility fund is used to account for operations and activities related to the water and sewer system within the City.

Noncurrent Governmental Assets/Liabilities

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

Budgets

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Budgets (continued)

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statute.

The City budgets expenditures at the department level. Only the City Council can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Council.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Council by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Council in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

Encumbrances

Encumbrance accounting is not utilized as an extension of the formal budgetary process in the governmental funds. Therefore, no provision for encumbrances has been made.

Cash and Cash Equivalents

The City considers cash, demand deposits, certificates of deposit with maturities of up to one year, and all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

The City has adopted GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The City has no current year activity involving money market investments, external investment pools, derivatives or similar debt items. All investments are recorded at fair value based on quoted market values as described in Note 4.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To/From Other Funds

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Inventory

Inventory is valued using the first-in, first-out method. The purchase method is used to account for inventories. Reported inventories are offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in the general fund consists of motor fuel held for consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Capital Assets (continued)

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Buildings	20-50 Years
Water and Sewer System	40 Years
Improvements	10-40 Years
Machinery and Equipment	5-10 Years
Infrastructure	10-50 Years

The government is a Phase 3 government and pursuant to GASB 34 has elected not to retroactively report general infrastructure assets. Therefore, general infrastructure assets acquired prior to October 1, 2003, are not included in the basic financial statements.

Accumulated Vacation and Sick Leave

The City allows its employees to accumulate and carry over to the next year up to 240 hours of vacation which is payable upon termination of employment if unused.

Sick leave is earned for each month of employment and is cumulative; however employees do not vest in unused sick leave.

Restricted Assets

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**

New Accounting Standards

Effective October 1, 2003, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and GASB Statement 38, *Certain Financial Statements Note Disclosures*. The effect of adopting GASB 34 and 37 is primarily a change in the presentation of the financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$1,716,379 difference are as follows:

Cost of capital assets	\$ 3,731,572
Less: accumulated depreciation	<u>(2,015,193)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 1,716,379</u>

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 249,480
Depreciation expense	<u>(211,827)</u>
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 37,653</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 3 - Budgets**

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (GAAP)

**Note 4 - Deposits and Investments**

Cash and Cash Equivalents

All cash resources of the City are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer.

The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year.

In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

The City Commission utilizes a pooled bank account for the operations of each of the City's funds.

The City's cash and cash equivalents at September 30, 2004 are summarized and categorized under GASB Statement No. 3 guidelines in the following table to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by a counterparty or by its trust department or agent but not in the City's name.

	Category			Reported Amount/ Fair Value
	1	2	3	
Certificates of Deposit	\$ 1,955,894	\$ -	\$ -	\$ 1,955,894
Other Cash Deposits	1,555,906	-	-	1,555,906
Total Cash and Cash Equivalents	<u>\$ 3,511,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,511,800</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 4 - Deposits and Investments (continued)**

Investments

Florida Statutes, Section 166.261, authorizes the City to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund; negotiable direct obligations, the principal and interest of which are unconditionally guaranteed by the United States Government at the then prevailing market price for such securities; Interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida, in savings and loan associations which are under the State of Florida supervision, or in federal savings and loan associations located in Florida and organized under federal law and federal supervision, provided that any such deposits are secured by collateral as may be prescribed by law. Obligations of the federal farm credit banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association; or securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

There were no investments at September 30, 2004.

**Note 5 - Accounts Receivable**

At September 30, 2004, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$ 20,371
Less: allowance for doubtful accounts	-
Net accounts receivable	<u>\$ 20,371</u>

At September 30, 2004, accounts receivable in the proprietary funds is summarized as follows:

Billed accounts receivable	\$ 191,874
Less: allowance for doubtful accounts	-
Net accounts receivable	<u>\$ 191,874</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2004 is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility	\$ 70,296

The utility fund owed the general fund \$70,296 for operating advances made during the year ended September 30, 2004.

**Note 7 - Capital Assets**

Changes in capital assets of the governmental activities funds are summarized as follows:

	September 30, 2003	Increases	Decreases	September 30, 2004
Capital assets, not being depreciated				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Total capital assets, not being depreciated	<u>500,524</u>	<u>-</u>	<u>-</u>	<u>500,524</u>
Capital assets, being depreciated				
Buildings and improvements	483,830	57,619	-	541,449
Improvements other than buildings	1,060,953	45,545	-	1,106,498
Machinery and equipment	<u>1,436,785</u>	<u>146,316</u>	<u>-</u>	<u>1,583,101</u>
Total capital assets, being depreciated	<u>2,981,568</u>	<u>249,480</u>	<u>-</u>	<u>3,231,048</u>
Less accumulated depreciation				
Buildings and improvements	329,783	17,151	-	346,934
Improvements other than buildings	450,427	36,676	-	487,103
Machinery and equipment	<u>1,023,156</u>	<u>158,000</u>	<u>-</u>	<u>1,181,156</u>
Total accumulated depreciation	<u>1,803,366</u>	<u>211,827</u>	<u>-</u>	<u>2,015,193</u>
Total capital assets, being depreciated	<u>1,178,202</u>	<u>37,653</u>	<u>-</u>	<u>1,215,855</u>
Total governmental activities' capital assets (net of accumulated depreciation)	<u>\$ 1,678,726</u>	<u>\$ 37,653</u>	<u>\$ -</u>	<u>\$ 1,716,379</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 7 - Capital Assets (continued)**

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2004:

Water system	\$ 859,825
Sewer system	1,912,312
Machinery and equipment	794,406
Total	<u>3,566,543</u>
Less: accumulated depreciation	
Water system	684,624
Sewer system	332,238
Machinery and equipment	500,034
Total accumulated depreciation	<u>1,516,896</u>
 Total business-type activities' capital assets (net of accumulated depreciation)	 <u>\$ 2,049,647</u>

Changes in capital assets of the business-type activities funds are summarized as follows:

	September 30, 2003	Increases	Decreases	September 30, 2004
Capital assets, being depreciated				
Water system	\$ 859,825	\$ -	\$ -	\$ 859,825
Sewer system	1,908,682	3,630	-	1,912,312
Machinery and equipment	686,380	141,921	(33,895)	794,406
Total capital assets, being depreciated	<u>3,454,887</u>	<u>145,551</u>	<u>(33,895)</u>	<u>3,566,543</u>
Less accumulated depreciation				
Water system	663,622	21,002	-	684,624
Sewer system	287,291	44,947	-	332,238
Machinery and equipment	428,268	103,030	(31,264)	500,034
Total accumulated depreciation	<u>1,379,181</u>	<u>168,979</u>	<u>(31,264)</u>	<u>1,516,896</u>
Total business-type activities' capital assets (net of accumulated depreciation)	<u>\$ 2,075,706</u>	<u>\$ (23,428)</u>	<u>\$ (2,631)</u>	<u>\$ 2,049,647</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 7 - Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 66,896
Public safety	43,816
Code enforcement	40
Sanitation	8,186
Highways and streets	19,196
Maintenance	44,255
Culture and recreation	29,438
Total depreciation expense – governmental activities	<u>\$ 211,827</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities	
Water system	\$ 68,137
Sewer system	100,842
Total depreciation expense - business-type activities	<u>\$ 168,979</u>

**Note 8 - Accrued Compensated Absences**

Accrued compensated absences consist of the following at September 30, 2004:

	Total Accrued Compensated Absences
General Fund	\$ 41,145
Utility Fund	13,004
Total	<u>\$ 54,149</u>

**Note 9 - Fund Balance Reservations**

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of fund balance set aside by the City for contingencies.

The following is a description of reported reserves in governmental activities at September 30, 2004:

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 9 - Fund Balance Reservations (continued)**

General Fund

Reserved for Inventory - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for Prepaids - This reserve was created to represent that portion of fund balance expended in advance for the next budgetary period.

Summary

Specific reservations of fund balances are summarized below as of September 30, 2004:

General Fund

Reserved for Prepaids	\$ 54,489
Reserved for Inventory	4,264
Total	<u>\$ 58,753</u>

**Note 10 - Investment in Joint Venture**

The City of Parker, Florida, in alliance with the county of Bay, the cities of Springfield and Callaway, and the Town of Cedar Grove joined efforts on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this partnership is to provide these services in an economical, efficient, and environmentally appropriate manner to their respective citizenry. This venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF), has assumed ownership of the existing wastewater treatment plant and is implementing the initial steps leading to construction of a 7.0 MGD advanced wastewater treatment facility. The operations of the plant began in July 1999. Costs of the project were funded through a combination of a State of Florida revolving trust loan and a bond issue between Bay County, the City of Parker and the joint venture.

The joint venture is owned and governed by its owners. The owners are Bay County, the cities of Parker, Callaway, Springfield, and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the System. The owner delegated to be the operator is Bay County, Florida. The operator of the System, in accordance with the interlocal agreement, prepares the system's annual budget, sets treatment rates, and collects funds sufficient to pay debt service; cost of operations and maintenance; renewal and replacement; and any enhancements to reserves. The results of operations and cash flows are accounted for, in total, within the financial statements of the joint venture. The City's interest in equity is reported within the City's Sewer Fund. As of September 30, 2004, the City's portion of the equity (liability) of the venture was \$(283,276). Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 10 - Investment in Joint Venture (continued)**

Condensed financial statements from the joint venture are as follows:

Statement of Net Assets  
September 30, 2004

Assets	
Current Assets	\$ 5,063,687
Noncurrent Assets	42,764,360
Total Assets	<u>47,828,047</u>
Current Liabilities	3,108,423
Noncurrent liabilities	38,167,022
Total Liabilities	<u>41,275,445</u>
Net Assets	<u>\$ 6,552,602</u>

Statement of Activities  
Year Ended September 30, 2004

Operating Revenues	\$ 6,498,428
Operating Expenses	3,491,223
Operating Income	<u>3,007,205</u>
Nonoperating Revenues (Expenses), Net	(1,525,453)
Net Loss Before Distributions to Owners	<u>1,481,752</u>
Distributions to Owners	(626,686)
Change in Net Assets	855,066
Net Assets, Beginning of Year	<u>5,697,536</u>
Net Assets, End of Year	<u>\$ 6,552,602</u>

The City of Parker had a net loss from the joint venture in the amount of \$(45,767) and was derived as follows:

Share of Operating Loss	\$ (46,009)
Release of Reserves	<u>242</u>
Net Loss from Joint Venture	<u>\$ (45,767)</u>

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 10 - Investment in Joint Venture (continued)**

As of September 30, 2004 the joint venture owes the City \$74,338 for distributions to owners and the City owes the joint venture \$322,284 for transferred collection system and segregation line. This has been recorded in the Enterprise fund as due from other governments and due to joint venture.

Environmental Contingency

MPAWTF received notice from the Florida Department of Environmental Protection (FDEP) that its subaqueous pipeline, which transports untreated sewage under St. Andrew Bay to the new wastewater treatment plant, was not in compliance with its permitted design. It was intended that the subaqueous pipeline would be completely covered by four and one-half feet of sand. Portions of the pipeline do not have the proper coverage.

Subsequently, Phoenix Construction Services, Inc. (Phoenix), the subaqueous pipeline contractor, sued Bay County, Florida, as operator of MPAWTF, for the amount of \$129,574 plus damages, including attorney fees and interest, relating to its claim that MPAWTF obstructed and hindered the performance of the subaqueous pipeline project in order for the pipeline to be in compliance with its permitted design. Phoenix did not place a dollar amount on these additional damages.

MPAWTF filed a counter-claim against Phoenix to recover damages due to its failure to construct the subaqueous pipeline as designed and permitted. The cost to repair the pipeline is estimated to be between \$1,300,000 and \$2,400,000. The estimated cost to replace the pipeline is between \$3,000,000 and \$5,000,000. The repairs are required by the FDEP, and the System will be obligated to finance the repairs. Any recovery from Phoenix would be used to offset the cost of the repairs.

A settlement agreement was entered into that abated the litigation pending the permitting and repair of the subaqueous pipeline. MPAWTF agreed to pay an amount (less than \$500,000) for the repair, of which the City is responsible for \$33,150. These amounts represent the portion of the original contract amount withheld by MPAWTF. Phoenix agreed to pay the remainder of the cost to repair the pipeline. After successful completion of the repair project, the lawsuit will be dismissed and the claims dismissed and satisfied.

A component of the settlement agreement is that the System pursues alternative methods of covering the pipe which is approved by the FDEP and the Army Corp of Engineers. The MPAWTF is currently working towards completing the task of covering the subaqueous pipeline pursuant to the permits issued by the FDEP and the Army Corp of Engineers.

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 11 - Pension Plan**

Plan Description and Administration

The City participates in the Florida Retirement System (FRS) which is a multiple-employer, cost-sharing retirement system established by Chapter 121, Florida Statutes. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration. The City's payroll for employees covered by the system for the year ended September 30, 2004, was \$810,754.

FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the State of Florida Department of Management Services, Division of Retirement, Bureau of Research, Education and Policy, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1650.

The system provides vesting of benefits after 6 years of creditable service. Members are eligible for normal retirement after attaining age 62 or 30 years of service. Generally, membership is compulsory for all full-time and part-time employees, except for elected City officials who may elect to not participate in the System. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates, as a percentage of gross earnings, are as follows:

Class	July, 2003 Through June, 2005
Regular employees	7.39%
Special Risk - Regular	18.53%

- During the year ended September 30, 2004, the City contributed \$89,599 to the system. These contributions represented 11.05% of covered payroll.

Year Ended September 30,	Three Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percent of APC Contribution	
2002	49,238	100%	-
2003	72,359	100%	-
2004	89,599	100%	-

**City of Parker, Florida**  
**Notes to Basic Financial Statements**

**Note 12 - 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; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## COMPLIANCE SECTION

**CARR, RIGGS & INGRAM, LLC**

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**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 the City Council  
City of Parker, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Parker, Florida (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements and have issued our report dated March 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Parker's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City, in a separate letter dated March 7, 2005.

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

AICPA Alliance for CPA Firms

Center for Public  
Company Audit Firms

Honorable Mayor and Members  
of the City Council  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City's management and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Caru, Riggs & Ingram, L.L.C.*

Panama City, Florida  
March 7, 2005

**CARR, RIGGS & INGRAM, LLC**

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**Independent Auditors' Management Letter**

Honorable Mayor and Members  
of the City Council  
City of Parker, Florida

We have audited the financial statements of the City of Parker, Florida (the City), as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated March 7, 2005.

We have issued our report on internal control over financial reporting and on compliance and other matters dated March 7, 2005. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* (2003 Revision and any other amendments thereto), issued by the Comptroller General of the United States.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.554(1)(h)1) require that we comment as to whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report. Prior year finding 03-1 regarding capital asset inventory, and 03-4 regarding improper segregation of duties have been satisfactorily addressed.

Items 03-2 and 03-3 regarding bank reconciliations and reconciliations of interfund accounts were addressed and improved early in the year, but at September 30, 2004 the status was similar to that of the prior year. See findings below for additional information.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6(a)), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6(b)), we determined that the annual financial report for the City for the fiscal year ended September 30, 2004, was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6(c)1), we applied financial condition assessment procedures in detecting deteriorating financial conditions, pursuant to Section 218.39(5), Florida Statutes. No deteriorating financial conditions were noted.

The *Rules of the Auditor General* (Section 10.554(1)(h)2), require that we determine whether the City complied with Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(h)5), also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established under a Charter in accordance with the Laws of Florida, 1951, Chapter 27685, sections. There were no component units related to the City.

The *Rules of the Auditor General* (Sections 10.554(1)(h)3 and 4(a), (b), and (c)) require disclosures in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal control: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations and contractual provisions which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to our attention of, the auditor. Our audit disclosed the following matters required to be disclosed by Rules of the Auditor General Sections 10.554(1)(h)3 and 4(a), (b), and (c):

Honorable Mayor and Members  
of the City Council  
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## **Findings**

### **04-1 Bank Reconciliations (Prior Year Finding 03-2)**

The reconciliations should be performed as soon as possible after receipt of the bank statements. During our audit procedures it was discovered that bank reconciliations were not being performed on all accounts in a timely manner. By the completion of the fieldwork all bank accounts had been reconciled.

#### **Management's Response**

The bank accounts are all currently reconciled and will be reconciled monthly by the 10<sup>th</sup> of the month or as soon as possible after the bank statements are received.

### **04-2 Reconciliation of Interfund Accounts (Prior Year Finding 03-3)**

The interfund receivables and payables were not regularly reconciled during the audit period and did not balance at the end of the year. It is important for these accounts to be reconciled timely so that financial reporting errors are corrected within a timely manner. These accounts have been reconciled by the completion of the fieldwork.

#### **Management's Response**

The interfund receivables and payables are currently reconciled and will be reconciled monthly prior to the preparation of the financial statements that are prepared for the Mayor and Council.

This management letter is intended solely for the information of the City of Parker and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs E. Ingram, L.L.C.*

Panama City, Florida  
March 7, 2005