

City of Parker, Florida

Financial Statements

September 30, 2005

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City of Parker, Florida  
Table of Contents  
September 30, 2005

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<b>Independent Auditors' Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>3</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	13
Statement of Net Assets – Proprietary Fund	14
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to Basic Financial Statements	18

City of Parker, Florida  
Table of Contents  
September 30, 2005

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**Compliance Section**

Independent Auditors' Management Letter	33
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	38
Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members  
 of the City Commission  
 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, 2005, 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006, 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.

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Management's discussion and analysis and budgetary comparison information on pages 3 through 7 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Parker, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of City of Parker, Florida. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Panama City, Florida  
March 6, 2006

## Management's Discussion & Analysis

## Management's Discussion and Analysis

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 \$7,323,436 (net assets). Of this amount, \$691,030 is unrestricted net assets for Governmental Activities and \$2,875,320 is unrestricted net assets for Business-type Activities, while \$1,835,704 is restricted net assets for Governmental Activities and \$1,921,382 is a restricted net asset for Business-type Activities.
- Total net assets increased by \$534,651. Of this amount, \$81,310 is attributable to Governmental Activities and \$453,341 is attributable to Business-type Activities.
- As of September 30, 2005, the general fund's unreserved fund balance was \$630,077 or 26 percent of total general fund expenditures.
- Governmental Activities revenues increased to \$2,413,875 or 20 percent, while Governmental Activities expenditures increased 42 percent to \$2,451,892. Business-type Activities revenues increased to \$2,089,493 or 25 percent, while Business-type Activities expenditures increased .6 percent to \$1,636,152.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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, 2005. 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			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 888,171	\$ 3,440,818	\$ 4,328,989
Capital assets	1,835,704	1,921,382	3,757,086
Total assets	2,723,875	5,362,200	8,086,075
Current liabilities	147,568	315,494	463,062
Non-current liabilities	49,573	250,004	299,577
Total liabilities	197,141	565,498	762,639
Net assets invested in capital assets, net of related debt	1,835,704	1,921,382	3,757,086
Net assets – unrestricted	691,030	2,875,320	3,566,350
Total net assets	\$ 2,526,734	\$ 4,796,702	\$ 7,323,436

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 (51 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* (\$3,566,350), representing 49 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, 2005.

City of Parker, Florida Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Total
<b>Program revenues</b>			
Charges for services	\$ 330,757	\$ 1,561,569	\$ 1,892,326
Operating grants/contributions	600,163	-	600,163

	Governmental Activities	Business-Type Activities	Total
<b>Program revenues</b>			
Capital grants/contributions	\$ 14,316	\$ -	\$ 14,316
<b>General revenues</b>			
Utility taxes/franchise fees	590,458	-	590,458
Taxes	639,858	-	639,858
Interest and other	238,323	89,943	328,266
<b>Total revenues</b>	<b>2,413,875</b>	<b>1,651,512</b>	<b>4,065,387</b>
<b>Expenses</b>			
General government	908,036	-	908,036
Public safety	742,259	-	742,259
Code enforcement	36,588	-	36,588
Sanitation	208,563	-	208,563
Highways and streets	273,810	-	273,810
Maintenance	56,340	-	56,340
Parks and recreation	106,969	-	106,969
Water and sewer	-	1,198,171	1,198,171
<b>Total expenses</b>	<b>2,332,565</b>	<b>1,198,171</b>	<b>3,530,736</b>
<b>Increase in net assets</b>	<b>\$ 81,310</b>	<b>\$ 453,341</b>	<b>\$ 534,651</b>

Governmental activities revenues exceeded expenses by \$81,310, while business-type activities revenues exceeded expenses by \$453,341. Total revenues increased \$371,954 over the previous year.

26% of the revenues for governmental activities were generated by operating grants/contributions, 25% by utility taxes and franchise fees, and 27% by tax revenues, including gas tax, ½ cent sales tax and communications tax. Most of the governmental resources were expended for general government (39%), public safety (32%), and highways and streets (12%) activities.

Charges for services provide 95% 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, 2005, total assets were \$1,157,501 and total liabilities were \$466,471. At the end of fiscal year 2005, unreserved fund balance of the general fund was \$630,077, while total fund balance was \$691,030.

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 \$37,928. Actual expenditures were less than budgeted expenditures by the amount of \$175,142.

## 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 were \$2,875,320

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, 2005, was \$3,757,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment

### Capital Assets (net of depreciation) September 30, 2005

	Governmental Activities	Business-type Activities	Total
Land	\$ 500,524	\$ -	\$ 500,524
Buildings and Improvements	176,465	-	176,465
Improvements other than buildings	751,523	1,755,275	2,506,798
Machinery and equipment	407,192	166,107	573,299
Total	\$ 1,835,704	\$ 1,921,382	\$ 3,757,086

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, 2005

Primary Government			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 776,629	\$ 2,124,095	\$ 2,900,724
Accounts receivable (net of allowance for doubtful accounts)	18,130	180,270	198,400
Accrued revenue receivable	177,579	-	177,579
Grants receivable	124,210	-	124,210
Internal balances	(269,330)	269,330	-
Inventory	6,173	-	6,173
Prepaid expenses	54,780	25,758	80,538
Investment in joint venture	-	54,344	54,344
Restricted assets			
Cash and cash equivalents	-	787,021	787,021
Total current assets	888,171	3,440,818	4,328,989
Noncurrent assets			
Capital assets (not being depreciated)	500,524	-	500,524
Capital assets (net of accumulated depreciation)	1,335,180	1,921,382	3,256,562
Total noncurrent assets	1,835,704	1,921,382	3,757,086
Total assets	2,723,875	5,362,200	8,086,075
<b>Liabilities</b>			
Current liabilities			
Accounts payable	89,357	99,043	188,400
Accrued expenses	39,111	3,166	42,277
Deferred revenue	19,100	-	19,100
Due to joint venture	-	213,285	213,285
Total current liabilities	147,568	315,494	463,062
Noncurrent liabilities			
Accrued compensated absences	49,573	9,825	59,398
Customer deposits	-	240,179	240,179
Total noncurrent liabilities	49,573	250,004	299,577
Total liabilities	197,141	565,498	762,639
<b>Net assets</b>			
Invested in capital assets (net of related debt)	1,835,704	1,921,382	3,757,086
Unrestricted	691,030	2,875,320	3,566,350
Total net assets	\$ 2,526,734	\$ 4,796,702	\$ 7,323,436

See accompanying notes

**City of Parker, Florida**  
**Statement of Activities**  
**Year Ended September 30, 2005**

**Net (Expenses) Revenues and  
Changes in Net Assets**

Functions / Programs	Program Revenues			Primary Government		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Primary Government</b>						
Governmental activities						
General government	\$ 908,036	\$ 112,083	\$ 593,801	\$ -	\$ (202,152)	\$ -
Public safety	742,259	-	6,362	14,316	(721,581)	-
Code enforcement	36,588	-	-	-	(36,588)	-
Sanitation	208,563	203,974	-	-	(4,589)	-
Highways and streets	273,810	14,700	-	-	(259,110)	-
Maintenance	56,340	-	-	-	(56,340)	-
Parks and recreation	106,969	-	-	-	(106,969)	-
Total governmental activities	2,332,565	330,757	600,163	14,316	(1,387,329)	-
Business-type activities						
Utility	1,198,171	1,561,569	-	-	-	363,398
Total business-type activities	1,198,171	1,561,569	-	-	-	363,398
Total primary government	\$ 3,530,736	\$ 1,892,326	\$ 600,163	\$ 14,316	\$ (1,387,329)	\$ 363,398
<b>General revenues</b>						
<b>Taxes</b>						
Utility					324,302	-
Franchise fees					266,156	-
Local option gas tax					133,962	-
Communications tax					142,960	-
Licenses and fees					6,081	-
Intergovernmental					167,814	-
Half cent sales tax					362,936	-
Total taxes					1,404,211	-
Interest earnings					22,506	89,943
Miscellaneous					41,922	-
Total general revenues, interest and other revenue					1,468,639	89,943
Change in net assets					81,310	453,341
Net assets - beginning					2,445,424	4,343,361
Net assets - ending					\$ 2,526,734	\$ 4,796,702
						\$ 7,323,436

See accompanying notes

City of Parker, Florida  
Balance Sheet  
Governmental Fund  
September 30, 2005

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 776,629
Accrued revenue receivable	177,579
Grants receivable	124,210
Accounts receivable	18,130
Inventory	6,173
Prepaid expenses	54,780
<b>Total assets</b>	<b>1,157,501</b>
<b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	89,357
Accrued expenses	39,111
Due to other funds	269,330
Deferred revenue	19,100
Accrued compensated absences	49,573
<b>Total liabilities</b>	<b>466,471</b>
<b>Fund balance</b>	
Reserved for	
Prepays	54,780
Inventory	6,173
Unreserved, reported in	
General fund	630,077
<b>Total fund balance</b>	<b>691,030</b>
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.	1,835,704
<b>Net assets of governmental activities</b>	<b>\$ 2,526,734</b>

See accompanying notes

City of Parker, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2005

	General Fund
<b>Revenues</b>	
Taxes	
Utility	\$ 324,302
Franchise fees	266,156
Communications tax	142,960
Local option gas tax	133,962
Intergovernmental	531,659
Licenses and permits	59,278
Charges for services	229,479
Fines and forfeitures	62,646
Rents	3,470
Interest	22,506
Other fees and miscellaneous	29,340
<b>Total revenues</b>	<b>1,805,758</b>
<b>Expenditures</b>	
Current	
General government	840,574
Public safety	682,044
Code enforcement	36,588
Sanitation	192,190
Highways and streets	252,684
Maintenance	25,335
Parks and recreation	79,459
Capital outlay	
General government	842
Public safety	159,934
Highways and streets	179,359
Maintenance	2,005
Parks and recreation	878
<b>Total expenditures</b>	<b>2,451,892</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(646,134)</b>
<b>Other financing sources (uses)</b>	
Grants	604,574
Park contributions	3,543
<b>Total other financing sources (uses)</b>	<b>608,117</b>
<b>Net change in fund balance</b>	<b>(38,017)</b>
<b>Fund balance - beginning</b>	<b>729,047</b>
<b>Fund balance - ending</b>	<b>\$ 691,030</b>

See accompanying notes

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, 2005

Amounts reported for governmental activities in the statement of activities (page 9) are different because:

Net change in fund balance - total governmental funds (page 11)	\$ (38,017)
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.	119,327
<u>Change in net assets of governmental activities (page 9)</u>	<u>\$ 81,310</u>

See accompanying notes



City of Parker, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Utility	\$ 261,000	\$ 324,900	\$ 324,302	\$ (598)
Franchise fees	248,000	267,000	266,156	(844)
Communications tax	132,000	143,000	142,960	(40)
Local option gas tax	127,000	134,000	133,962	(38)
Intergovernmental	508,339	533,000	531,659	(1,341)
Licenses and permits	38,100	58,900	59,278	378
Charges for services	220,124	228,530	229,479	949
Fines and forfeitures	43,000	45,000	62,646	17,646
Rents	3,000	3,500	3,470	(30)
Interest	12,000	23,000	22,506	(494)
Other fees and miscellaneous	7,000	7,000	29,340	22,340
<b>Total revenues</b>	<b>1,599,563</b>	<b>1,767,830</b>	<b>1,805,758</b>	<b>37,928</b>
<b>Expenditures</b>				
Current				
General government	261,437	897,925	841,416	56,509
Public safety	784,599	886,374	841,978	44,396
Code enforcement	34,355	38,400	36,588	1,812
Sanitation	195,791	220,800	192,190	28,610
Highways and streets	1,707,822	452,630	432,043	20,587
Maintenance	30,720	32,455	27,340	5,115
Parks and recreation	136,257	98,450	80,337	18,113
<b>Total current</b>	<b>3,150,981</b>	<b>2,627,034</b>	<b>2,451,892</b>	<b>175,142</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,551,418)</b>	<b>(859,204)</b>	<b>(646,134)</b>	<b>213,070</b>
<b>Other financing sources (uses)</b>				
Grants	762,225	684,300	604,574	(79,726)
Park contributions	6,500	3,500	3,543	43
<b>Total other financing sources (uses)</b>	<b>768,725</b>	<b>687,800</b>	<b>608,117</b>	<b>(79,683)</b>
<b>Net change in fund balance</b>	<b>(782,693)</b>	<b>(171,404)</b>	<b>(38,017)</b>	<b>133,387</b>
<b>Fund balance - beginning</b>	<b>729,047</b>	<b>729,047</b>	<b>729,047</b>	<b>-</b>
<b>Fund Balance - ending</b>	<b>\$ (53,646)</b>	<b>\$ 557,643</b>	<b>\$ 691,030</b>	<b>\$ 133,387</b>

See accompanying notes

City of Parker, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2005

<b>Business-type Activities/Enterprise Fund</b>		<b>Utility Fund</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$	2,124,095
Accounts receivable (net of allowance for doubtful accounts)		180,270
Due from other funds		269,330
Prepaid expenses		25,758
Investment in joint venture		54,344
Restricted assets:		
Cash-customer deposits		260,524
Cash-repair and replacement		478,246
Cash-revenue bond current debt service		48,251
Total current assets		3,440,818
Noncurrent assets		
Capital assets		
Property, plant and equipment		3,597,881
Less accumulated depreciation		(1,676,499)
Total noncurrent assets		1,921,382
Total assets		5,362,200
<b>Liabilities</b>		
Current liabilities		
Accounts payable		99,043
Accrued expenses		3,166
Due to other funds		-
Due to joint venture		213,285
Total current liabilities		315,494
Noncurrent liabilities		
Accrued compensated absences		9,825
Customer deposits		240,179
Total noncurrent liabilities		250,004
Total liabilities		565,498
<b>Net assets</b>		
Invested in capital assets (net of related debt)		1,921,382
Unrestricted		2,875,320
Total net assets	\$	4,796,702

See accompanying notes

City of Parker, Florida  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
Year Ended September 30, 2005

<b>Business-type Activities/Enterprise Fund</b>	<b>Utility Fund</b>
<b>Operating revenues</b>	
Charges for services	
Water and sewer charges	\$ 1,444,336
Connection, reset and reactivation fees	16,983
Late fees	39,475
Tap fees	6,675
Impact fees	28,840
Other utility income	25,261
<b>Total operating revenues</b>	<b>1,561,570</b>
<b>Operating expenses</b>	
Personal services	293,193
Communications	4,995
Contractual services	4,928
Cost of water and sewer	360,466
Debt service charges	481,334
Depreciation	173,675
Fuel and lubricants	12,256
Insurance	22,759
Office supplies	14,904
Operating supplies	5,208
Other current charges	6,194
Postage	7,736
Printing and binding	2,445
Professional services	69,835
Promotional activities	2,022
Public utility services	18,424
Rentals	4,616
Repairs and maintenance	128,450
Road materials and supplies	6,569
Travel and per diem	13,155
Uniforms	2,988
<b>Total operating expenses</b>	<b>1,636,152</b>
<b>Net operating income (loss)</b>	<b>(74,582)</b>
<b>Nonoperating revenues (expenses)</b>	
Interest income	89,943
Income from joint venture	437,980
<b>Total nonoperating revenues (expenses)</b>	<b>527,923</b>
<b>Change in net assets</b>	<b>453,341</b>
<b>Total net assets - beginning</b>	<b>4,343,361</b>
<b>Total net assets - ending</b>	<b>\$ 4,796,702</b>

See accompanying notes

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund  
Year Ended September 30, 2005

<b>Business-type Activities/Enterprise Fund</b>		<b>Utility Fund</b>
<b>Operating activities</b>		
Receipts from customers and users		\$ 1,573,946
Payments to suppliers		(1,166,968)
Payments to employees		(290,014)
Net cash provided by operating activities		116,964
<b>Capital and related financing activities</b>		
Payments from general fund		(339,626)
Purchase of capital assets		(45,410)
Net cash used by capital and related financing activities		(385,036)
<b>Investing activities</b>		
Note payments to joint venture		(34,661)
Distributions from joint venture		100,360
Interest received		89,943
Net cash provided by investing activities		155,642
Net increase (decrease) in cash and cash equivalents		(112,430)
Cash and cash equivalents - beginning		3,023,546
Cash and cash equivalents - ending		\$ 2,911,116
<b>Classified as</b>		
Current assets - cash and cash equivalents		\$ 2,124,095
Restricted assets - cash and cash equivalents		787,021
		\$ 2,911,116

(Continued)

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund (Continued)  
Year Ended September 30, 2005

<b>Business-type Activities/Enterprise Fund</b>	<b>Utility Fund</b>
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>	
Net operating income (loss)	\$ (74,582)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	173,675
(Increase) decrease in assets	
Accounts receivable	11,604
Prepaid expenses	(4,183)
Increase (decrease) in liabilities	
Accounts payable	10,105
Accrued expenses	(8,238)
Accrued compensated absences	(3,179)
Customer deposits	11,762
<b>Total adjustments</b>	<b>191,546</b>
<b>Net cash provided by operating activities</b>	<b>\$ 116,964</b>

See accompanying notes

## 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*.

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.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

## Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.



Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

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.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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

***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.

Notes to Basic Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

***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.

**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:

## Notes to Basic Financial Statements

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Cost of capital assets	\$	3,901,883
Less: accumulated depreciation		(2,066,179)

Net adjustment to increase <i>fund balance – total governmental funds to arrive at net assets – governmental activities</i>	\$	1,835,704
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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	\$	343,018
Depreciation expense		(223,691)

Net adjustment to increase <i>net change in fund balance – total governmental funds to arrive at changes in net assets of governmental activities</i>	\$	119,327
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**NOTE 3 – BUDGETS**

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

**NOTE 4 – DEPOSITS AND INVESTMENTS*****Deposits Policies***

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's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Notes to Basic Financial Statements

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investment Policies***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency

Interest -- bearing time deposits or savings accounts in state-certified qualified public depositories as defined in s. 280.02.

Direct obligations of the United States Treasury

Federal agencies and instrumentalities.

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 that 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 that 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, 2005.

***Interest Rate Risks***

At September 30, 2005, the City did not hold any investments that were considered to be an interest rate risk

***Credit Risks***

At September 30, 2005, the City did not hold any investments that were considered to be a credit risk

***Custodial Risks***

At September 30, 2005, the City did not hold any deposits or investments that were considered to be a custodial risk.

## Notes to Basic Financial Statements

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)*****Concentration of Credit Risk***

As September 30, 2005, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 5 – ACCOUNTS RECEIVABLE**

At September 30, 2005, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$	18,130
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	18,130

At September 30, 2005, accounts receivable in the proprietary funds is summarized as follows:

Billed accounts receivable	\$	180,270
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	180,270

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2005 is as follows:

Due to / from other funds:

Payable Fund	Receivable Fund	Amount
General	Utility	\$ 269,330

The general fund owed the utility fund \$127,115 for operating advances and \$142,215 for equipment loans.

## Notes to Basic Financial Statements

**NOTE 7 – CAPITAL ASSETS**

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

	September 30, 2004	Increases	Decreases	September 30, 2005
Capital assets, not being depreciated				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Total capital assets, not being depreciated	500,524	-	-	500,524
Capital assets, being depreciated				
Buildings and improvements	541,449	-	-	541,449
Improvements other than buildings	1,106,498	169,740	-	1,276,238
Machinery and equipment	1,583,101	173,277	172,706	1,583,672
Total capital assets, being depreciated	3,231,048	343,017	172,706	3,401,359
Less accumulated depreciation				
Buildings and improvements	346,934	18,050	-	364,984
Improvements other than buildings	487,103	37,613	-	524,716
Machinery and equipment	1,181,156	166,298	170,975	1,176,479
Total accumulated depreciation	2,015,193	221,961	170,975	2,066,179
Total capital assets, being depreciated	1,215,855	121,056	1,731	1,335,180
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 1,716,379	\$ 121,056	\$ 1,731	\$ 1,835,704

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2005:

Water system	\$ 859,825
Sewer system	1,912,312
Machinery and equipment	825,744
Total	3,597,881

## Notes to Basic Financial Statements

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Less: accumulated depreciation	
Water system	\$ 705,508
Sewer system	377,407
Machinery and equipment	593,584

Total accumulated depreciation	1,676,499
--------------------------------	-----------

Total business-type activities' capital assets (net of accumulated depreciation)	\$ 1,921,382
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Changes in capital assets of the business-type activities funds are summarized as follows:

	September 30, 2004	Increases	Decreases	September 30, 2005
Capital assets, being depreciated				
Water system	\$ 859,825	\$ -	\$ -	\$ 859,825
Sewer system	1,912,312	-	-	1,912,312
Machinery and equipment	794,406	45,410	14,072	825,744
Total capital assets, being depreciated	3,566,543	45,410	14,072	3,597,881
Less accumulated depreciation				
Water system	684,624	20,884		705,508
Sewer system	332,238	45,169	-	377,407
Machinery and equipment	500,034	107,622	14,072	593,584
Total accumulated depreciation	1,516,896	173,675	14,072	1,676,499
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,049,647	\$ (128,265)	\$ -	\$ 1,921,382

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

Governmental activities	
General government	\$ 67,462
Public safety	59,040
Sanitation	16,373
Highways and streets	21,125
Maintenance	30,451
Culture and recreation	27,510
Total depreciation expense – governmental activities	\$ 221,961



## Notes to Basic Financial Statements

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

Business-type activities	
Water system	\$ 77,523
Sewer system	96,152
<hr/>	
Total depreciation expense - business-type activities	\$ 173,675

**NOTE 8 – ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2005:

	<b>Total Accrued Compensated Absences</b>
<hr/>	
General Fund	\$ 49,573
Utility Fund	9,825
<hr/>	
Total	\$ 59,398

**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, 2005:

***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, 2005:

## Notes to Basic Financial Statements

**NOTE 9 – FUND BALANCE RESERVATIONS (CONTINUED)****General Fund**

Reserved for prepaids	\$	54,780
Reserved for inventory		6,173
<hr/>		
Total	\$	60,953

**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 Utility Fund. As of September 30, 2005, the City's portion of the equity in the venture was \$54,344. Complete financial statements for the joint venture, may be obtained from the Bay County Utility Services Department at 3410 Transmitter Road, Panama City, Florida 32404.

Condensed financial statements from the joint venture are as follows:

**Statement of Net Assets**  
**September 30, 2005**

<b>Assets</b>		
Current assets	\$	4,500,227
Noncurrent assets		41,413,780
<hr/>		
Total assets		45,914,007

## Notes to Basic Financial Statements

**NOTE 10 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

**Statement of Net Assets**  
**September 30, 2005**

<b>Liabilities</b>	
Current liabilities	\$ 3,120,249
Noncurrent liabilities	34,551,208
<hr/>	
Total liabilities	37,671,457
<hr/>	
<b>Net assets</b>	<b>\$ 8,242,550</b>

**Statement of Activities**  
**Year Ended September 30, 2005**

Operating revenues	\$ 6,419,648
Operating expenses	3,853,778
<hr/>	
Operating income	2,565,870
Nonoperating revenues (expenses), net	9,209
<hr/>	
Net income before distributions to owners	2,575,079
Distributions to owners	(885,131)
<hr/>	
Change in net assets	1,689,948
<hr/>	
Net assets, beginning of year	6,552,602
<hr/>	
Net assets, end of year	<b>\$ 8,242,550</b>

For the year ended September 30, 2005 the City of Parker had a net income from the joint venture in the amount of \$437,980.

As of September 30, 2005 the joint venture owes the City \$100,379 for distributions not yet paid to owners and the City owes the joint venture \$313,664 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.

**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, 2005, was \$881,665.

## Notes to Basic Financial Statements

**NOTE 11 – PENSION PLAN (CONTINUED)**

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:

	<b>October 1, 2004 Through June 30, 2005</b>	<b>July 1, 2005 Through September 30, 2005</b>
Regular employees	7.39%	7.83%
Special risk employees	18.53%	18.53%

During the year ended September 30, 2005, the City contributed \$101,780 to the system. These contributions represented 11.5% of covered payroll.

**Three Year Trend Information**

<b>Year Ended September 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percent of APC Contribution</b>	<b>Net Pension Obligation</b>
2003	72,359	100%	-
2004	89,599	100%	-
2005	101,780	100%	-

**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

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**INDEPENDENT AUDITORS' MANAGEMENT LETTER**

 Honorable Mayor and Members  
 of the City Commission  
 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, 2005, and have issued our report thereon dated March 6, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, dated March 6, 2006, should be considered in conjunction with this management letter.

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 address in the management letter whether or not recommendations made in the preceding annual financial audit report have been followed.

**Current Year Recommendations**
**05-01 Reconciliation of Bank Statements (Prior year finding 04-1)**

The bank 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. When the bank statements are not reconciled then the monthly financial statements that are reviewed by the Council are not accurate. Adjustments made in subsequent months to reconcile the bank statements change the monthly financial statements that have already been reviewed by the Council.

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#### 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 practical after the bank statements are received. The Council should require that monthly financial statements only be prepared after the bank statements are reconciled so that changes are not made after the Council has reviewed and approved the monthly financial statements.

#### 05-02 Utility Customer Deposits

The detailed subsidiary utility customer deposit ledger should be reconciled monthly to the general ledger cash account balance and the general ledger liability account and any discrepancies discovered should be resolved in a timely manner. During our audit procedures it was noted that the utility deposits contained errors and regular reconciliations were not performed.

#### Management's response

The Customer utility deposits reconciliations will be performed on a timely and regular basis from now on.

#### 05-03 Utility Accounts Receivable

The detailed utility accounts receivable subsidiary ledger should be reconciled monthly to the general ledger utility accounts receivable account and any and all discrepancies discovered should be resolved in a timely manner. During our audit procedures it was noted that the accounts receivable subsidiary ledger was not reconciled to the general ledger accounts receivable balance.

#### Management's response

The utility accounts receivable reconciliations will be performed on a timely and regular basis from now on.

#### **Status of Prior Year Recommendations**

#### 04-01 See Current Year Recommendations 05-01

#### 04-02 Reconciliation of Interfund Accounts

Interfund accounts are now being reconciled timely.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Parker, Florida complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. We have addressed those above.

The *Rules of the Auditor General* (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely

to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. Our audit disclosed no matters required to be disclosed.

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.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.a), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City has not met one or more of the conditions described in 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, 2005, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.c and 10.556(7)), 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.

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.

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

Panama City, Florida  
March 6, 2006



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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 Commission  
 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, 2005, which collectively comprise the City's basic financial statements and have issued our report dated March 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 6, 2006

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

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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, City Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
March 6, 2006

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the compliance of the City Parker, Florida, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Parker, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Parker, Florida's management. Our responsibility is to express an opinion on the City of Parker, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Parker, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Parker, Florida's compliance with those requirements.

In our opinion, the City of Parker, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

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### Internal Control Over Compliance

The management of the City of Parker, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Parker, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

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

Panama City, Florida  
March 6, 2006

City of Parker, Florida  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2005

Federal Awards Programs	CFDA No.	Contract/ Grant Number	Expenditures
U.S. Department of Homeland Security - Federal Emergency Management Agency Passed through the State of Florida Department of Community Affairs			
Disaster Relief Funding Agreement	97 036	05 PA-@G 01-13-02-617	\$ 539,341
Disaster Relief Funding Agreement	97.036	06 DN-@G-01-13-02-642	21,917
			561,258
U.S. Department of Justice-Office of Justice Programs Bureau of Justice Assistance - Federal Justice Assistance Grant			
	16.579	05-CJ-K3-01-13-02-218	14,313
Total expenditures of federal awards			\$ 575,571

Note:

- (1) The Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting.

City of Parker, Florida  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2005

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued Unqualified  
Internal control over financial reporting  
Material weakness(es) identified? ☐ yes ☒ no  
Reportable condition(s) identified not  
considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards and State Financial Assistance

Internal control over major programs  
Material weakness(es) identified? ☐ yes ☒ no  
Reportable condition(s) identified not  
considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance  
for major programs Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section .510(a)  
of Circular A-133? ☐ yes ☒ no

Identification of major federal award programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
97 036	Disaster Relief Funding

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**Section II - Financial Statement Findings**

There were no findings.

**Section III - Federal Awards and State Financial Assistance Findings**

There were no findings.