

City of Parker, Florida

Financial Statements

September 30, 2006

<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<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

**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>	37
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39
Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42

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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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 February 13, 2007, 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 the purpose 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.

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

Panama City, Florida  
February 13, 2007

## 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 \$7,975,849 (net assets). Of this amount, \$415,874 is unrestricted net assets for governmental activities and \$2,657,649 is unrestricted net assets for business-type activities, while \$2,517,206 is restricted net assets for governmental activities and \$2,385,120 is a restricted net asset for business-type activities.
- Total net assets increased by \$652,413. Of this amount, \$406,346 is attributable to governmental activities and \$246,067 is attributable to business-type activities.
- As of September 30, 2006, the general fund's unreserved fund balance was \$359,973 or 13 percent of total general fund expenditures.
- Governmental activities revenues increased to \$2,458,735 or 2 percent, while governmental activities expenditures decreased 13 percent to \$2,052,389. Business-type activities revenues increased to \$1,822,093 or 11 percent, while business-type activities expenditures increased 31 percent to \$1,576,026.

### 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, 2006. 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.

<b>City of Parker, Florida Net Assets</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 612,970	\$ 3,294,555	\$ 3,907,525
Capital assets	2,517,206	2,385,120	4,902,326
<b>Total assets</b>	<b>3,130,176</b>	<b>5,679,675</b>	<b>8,809,851</b>
Current liabilities	147,180	382,466	529,646
Noncurrent liabilities	49,916	254,440	304,356
<b>Total liabilities</b>	<b>197,096</b>	<b>636,906</b>	<b>834,002</b>
Net assets invested in capital assets, net of related debt	2,517,206	2,385,120	4,902,326
Net assets – unrestricted	415,874	2,657,649	3,073,523
<b>Total net assets</b>	<b>\$ 2,933,080</b>	<b>\$ 5,042,769</b>	<b>\$ 7,975,849</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 (61 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* (\$3,080,898), representing 39 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, 2006.

<b>City of Parker, Florida Changes in Net Assets</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Program revenues</b>			
Charges for services	\$ 313,241	\$ 1,574,628	\$ 1,887,869
Operating grants/contributions	118,328	-	118,328

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Program revenues</b>			
Capital grants/contributions	\$ 532,788	\$ -	\$ 532,788
<b>General revenues</b>			
Utility taxes/franchise fees	646,340	-	646,340
Taxes	583,567	-	583,567
Interest and other	264,471	247,465	511,936
<b>Total revenues</b>	<b>2,458,735</b>	<b>1,822,093</b>	<b>4,280,828</b>
<b>Expenses</b>			
General government	400,093	-	400,093
Public safety	874,171	-	874,171
Code enforcement	26,654	-	26,654
Sanitation	265,420	-	265,420
Highways and streets	307,829	-	307,829
Maintenance	47,024	-	47,024
Parks and recreation	131,198	-	131,198
Water and sewer	-	1,576,026	1,576,026
<b>Total expenses</b>	<b>2,052,389</b>	<b>1,576,026</b>	<b>3,628,415</b>
<b>Increase in net assets</b>	<b>\$ 406,346</b>	<b>\$ 246,067</b>	<b>\$ 652,413</b>

Governmental activities revenues exceeded expenses by \$406,346, while business-type activities revenues exceeded expenses by \$246,067. Total revenues increased \$215,311 over the previous year.

22% of the revenues for governmental activities were generated by capital grants/contributions, 26% by utility taxes and franchise fees, and 24% by tax revenues, including gas tax, ½ cent sales tax and communications tax. Most of the governmental resources were expended for general government (19%), public safety (43%), and highways and streets (15%) activities.

Charges for services provide 86% 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, 2006, total assets were \$662,639 and total liabilities were \$196,849. At the end of fiscal year 2006, unreserved fund balance of the general fund was \$359,973, while total fund balance was \$465,790.

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 \$17,634. Actual expenditures were less than budgeted expenditures by the amount of \$257,775.

## 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 \$2,657,649.

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, 2006, was \$4,902,326 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

	<b>Capital Assets (net of depreciation) September 30, 2006</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 500,524	\$ 449,632	\$ 950,156
Construction in process	120,750	117,375	238,125
Buildings and Improvements	165,497	134,818	300,315
Improvements other than buildings	1,323,189	1,502,924	2,826,113
Machinery and equipment	407,246	180,371	587,617
<b>Total</b>	<b>\$ 2,517,206</b>	<b>\$ 2,385,120</b>	<b>\$ 4,902,326</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, 2006

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 390,629	\$ 2,140,777	\$ 2,531,406
Accounts receivable (net of allowance for doubtful accounts)	29,442	150,078	179,520
Accrued revenue receivable	116,171	-	116,171
Grants receivable	20,580	-	20,580
Internal balances	(49,669)	49,669	-
Inventory	33,080	-	33,080
Prepaid expenses	72,737	52,559	125,296
Investment in joint venture	-	116,812	116,812
Restricted assets			
Cash and cash equivalents	-	784,660	784,660
<b>Total current assets</b>	<b>612,970</b>	<b>3,294,555</b>	<b>3,907,525</b>
Noncurrent assets			
Capital assets (not being depreciated)	621,274	567,007	1,188,281
Capital assets (net of accumulated depreciation)	1,895,932	1,818,113	3,714,045
<b>Total noncurrent assets</b>	<b>2,517,206</b>	<b>2,385,120</b>	<b>4,902,326</b>
<b>Total assets</b>	<b>3,130,176</b>	<b>5,679,675</b>	<b>8,809,851</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	96,732	142,355	239,087
Accrued expenses	50,448	3,554	54,002
Accrued compensated absences	9,983	2,506	12,489
Due to joint venture	-	234,051	234,051
<b>Total current liabilities</b>	<b>157,163</b>	<b>382,466</b>	<b>539,629</b>
Noncurrent liabilities			
Accrued compensated absences	39,933	10,022	49,955
Customer deposits	-	244,418	244,418
<b>Total noncurrent liabilities</b>	<b>39,933</b>	<b>254,440</b>	<b>294,373</b>
<b>Total liabilities</b>	<b>197,096</b>	<b>636,906</b>	<b>834,002</b>
<b>Net assets</b>			
Invested in capital assets (net of related debt)	2,517,206	2,385,120	4,902,326
Unrestricted	415,874	2,657,649	3,073,523
<b>Total net assets</b>	<b>\$ 2,933,080</b>	<b>\$ 5,042,769</b>	<b>\$ 7,975,849</b>

See accompanying notes

City of Parker, Florida  
Statement of Activities  
Year Ended September 30, 2006

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions / Programs</b>							
<b>Primary Government</b>							
Governmental activities							
General government	\$ 400,093	\$ 90,565	\$ 88,546	\$ -	\$ (220,982)	\$ -	\$ (220,982)
Public safety	874,171	-	29,782	-	(844,389)	-	(844,389)
Code enforcement	26,654	-	-	-	(26,654)	-	(26,654)
Sanitation	265,420	207,153	-	-	(58,267)	-	(58,267)
Highways and streets	307,829	15,523	-	-	(292,306)	-	(292,306)
Maintenance	47,024	-	-	-	(47,024)	-	(47,024)
Parks and recreation	131,198	-	-	532,788	401,590	-	401,590
Total governmental activities	2,052,389	313,241	118,328	532,788	(1,088,032)	-	(1,088,032)
Business-type activities							
Utility	1,576,026	1,574,628	-	-	-	(1,398)	(1,398)
Total business-type activities	1,576,026	1,574,628	-	-	-	(1,398)	(1,398)
<b>Total primary government</b>	<b>\$ 3,628,415</b>	<b>\$ 1,887,869</b>	<b>\$ 118,328</b>	<b>\$ 532,788</b>	<b>(1,088,032)</b>	<b>(1,398)</b>	<b>(1,089,430)</b>
General revenues							
Taxes							
Utility					349,454	-	349,454
Franchise fees					296,886	-	296,886
Local option gas tax					91,967	-	91,967
Communications tax					117,742	-	117,742
Licenses and fees					5,164	-	5,164
Intergovernmental					183,725	-	183,725
Half cent sales tax					373,858	-	373,858
Total taxes					1,418,796	-	1,418,796
Interest earnings					24,065	114,489	138,554
Miscellaneous					51,517	132,976	184,493
Total general revenues, interest and other revenue					1,494,378	247,465	1,741,843
Change in net assets					406,346	246,067	652,413
Net assets - beginning					2,526,734	4,796,702	7,323,436
Net assets - ending					\$ 2,933,080	\$ 5,042,769	\$ 7,975,849

See accompanying notes

City of Parker, Florida  
Balance Sheet  
Governmental Fund  
September 30, 2006

	<b>General Fund</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 390,629
Accrued revenue receivable	116,171
Grants receivable	20,580
Accounts receivable	29,442
Inventory	33,080
Prepaid expenses	72,737
<hr/>	
Total assets	662,639
<hr/>	
<b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	96,732
Accrued expenses	50,448
Due to other funds	49,669
<hr/>	
Total liabilities	196,849
<hr/>	
<b>Fund balance</b>	
Reserved for	
Prepaid expenses	72,737
Inventory	33,080
Unreserved, reported in	
General fund	359,973
<hr/>	
Total fund balance	465,790
<hr/>	
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.	2,517,206
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(49,916)
<hr/>	
Net assets of governmental activities	\$ 2,933,080
<hr/> <hr/>	

See accompanying notes

City of Parker, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2006

	<b>General Fund</b>
<b>Revenues</b>	
Taxes	
Utility	\$ 349,454
Franchise fees	296,886
Communications tax	117,742
Local option gas tax	91,967
Intergovernmental	561,738
Licenses and permits	37,606
Charges for services	235,692
Fines and forfeitures	45,776
Rents	3,165
Interest	24,065
Other fees and miscellaneous	46,296
Total revenues	1,810,387
<b>Expenditures</b>	
Current	
General government	359,831
Public safety	755,026
Code enforcement	26,654
Sanitation	242,644
Highways and streets	277,387
Maintenance	27,180
Parks and recreation	105,336
Capital outlay	
General government	80,931
Public safety	101,005
Highways and streets	602,684
Maintenance	46,020
Parks and recreation	55,283
Total expenditures	2,679,981
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(869,594)</b>
<b>Other financing sources (uses)</b>	
Grants	638,719
Park contributions	5,636
Total other financing sources (uses)	644,355
<b>Net change in fund balance</b>	<b>(225,239)</b>
<b>Fund balance - beginning</b>	<b>691,029</b>
<b>Fund balance - ending</b>	<b>\$ 465,790</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, 2006

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)	\$ (225,239)
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.	681,501
The issuance of long-term debt (compensated absences) provides current resources to governmental funds, while it has no effect on the statement of activities.	(49,916)
<b>Change in net assets of governmental activities (page 9)</b>	<b>\$ 406,346</b>

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Utility	\$ 312,000	\$ 350,500	\$ 349,454	\$ (1,046)
Franchise fees	246,000	296,800	296,886	86
Communications tax	140,000	117,800	117,742	(58)
Local option gas tax	141,000	92,000	91,967	(33)
Intergovernmental	535,000	544,900	561,738	16,838
Licenses and permits	45,400	44,400	37,606	(6,794)
Charges for services	230,353	235,753	235,692	(61)
Fines and forfeitures	43,000	38,000	45,776	7,776
Rents	3,000	3,000	3,165	165
Interest	18,000	23,000	24,065	1,065
Other fees and miscellaneous	12,600	46,600	46,296	(304)
Total revenues	1,726,353	1,792,753	1,810,387	17,634
<b>Expenditures</b>				
Current				
General government	588,100	562,600	440,762	121,838
Public safety	949,140	904,340	856,031	48,309
Code enforcement	39,100	30,600	26,654	3,946
Sanitation	217,327	267,227	242,644	24,583
Highways and streets	1,780,450	920,150	880,071	40,079
Maintenance	240,930	85,375	73,200	12,175
Parks and recreation	83,964	167,464	160,619	6,845
Total current	3,899,011	2,937,756	2,679,981	257,775
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(2,172,658)	(1,145,003)	(869,594)	275,409
<b>Other financing sources (uses)</b>				
Grants	1,174,000	653,500	638,719	(14,781)
Park contributions	6,000	6,000	5,636	(364)
Total other financing sources (uses)	1,180,000	659,500	644,355	(15,145)
<b>Net change in fund balance</b>	(992,658)	(485,503)	(225,239)	260,264
<b>Fund balance - beginning</b>	691,029	691,029	691,029	-
<b>Fund Balance - ending</b>	\$ (301,629)	\$ 205,526	\$ 465,790	\$ 260,264

See accompanying notes

City of Parker, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2006

Business-type Activities/Enterprise Fund	Utility Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 2,140,777
Accounts receivable (net of allowance for doubtful accounts)	150,078
Due from other funds	49,669
Prepaid expenses	52,559
Investment in joint venture	116,812
Restricted assets:	
Cash-customer deposits	258,115
Cash-repair and replacement	478,246
Cash-revenue bond current debt service	48,299
Total current assets	3,294,555
Noncurrent assets	
Capital assets	
Property, plant and equipment	4,181,737
Less accumulated depreciation	(1,796,617)
Total noncurrent assets	2,385,120
Total assets	5,679,675
<b>Liabilities</b>	
Current liabilities	
Accounts payable	142,355
Accrued expenses	3,554
Accrued compensated absences	2,506
Due to joint venture	234,051
Total current liabilities	382,466
Noncurrent liabilities	
Accrued compensated absences	10,022
Customer deposits	244,418
Total noncurrent liabilities	254,440
Total liabilities	636,906
<b>Net assets</b>	
Invested in capital assets (net of related debt)	2,385,120
Unrestricted	2,657,649
Total net assets	\$ 5,042,769

See accompanying notes

City of Parker, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
Year Ended September 30, 2006

<b>Business-type Activities/Enterprise Fund</b>	<b>Utility Fund</b>
<b>Operating revenues</b>	
Charges for services	
Water and sewer charges	\$ 1,497,435
Connection, reset and reactivation fees	18,475
Late fees	21,175
Tap fees	6,750
Impact fees	19,200
Other utility income	11,593
Total operating revenues	1,574,628
<b>Operating expenses</b>	
Personal services	327,126
Communications	9,517
Contractual services	10,299
Cost of water and sewer	362,068
Debt service charges	449,310
Depreciation	121,008
Fuel and lubricants	11,846
Insurance	27,930
Office supplies	4,941
Operating supplies	7,405
Other current charges	14,182
Postage	7,436
Printing and binding	2,812
Professional services	48,254
Promotional activities	3,968
Public utility services	19,592
Rentals	5,075
Repairs and maintenance	126,045
Road materials and supplies	318
Travel and per diem	14,974
Uniforms	1,920
Total operating expenses	1,576,026
Net operating income (loss)	(1,398)
<b>Nonoperating revenues (expenses)</b>	
Interest income	114,489
Income from joint venture	132,976
Total nonoperating revenues (expenses)	247,465
<b>Change in net assets</b>	246,067
<b>Total net assets - beginning</b>	4,796,702
<b>Total net assets - ending</b>	\$ 5,042,769

See accompanying notes

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund  
Year Ended September 30, 2006

<b>Business-type Activities/Enterprise Fund</b>	<b>Utility Fund</b>
<b>Operating activities</b>	
Receipts from customers and users	\$ 1,609,059
Payments to suppliers	(1,110,993)
Payments to employees	(324,423)
Net cash provided by operating activities	173,643
<b>Capital and related financing activities</b>	
Payments from general fund	219,661
Purchase of capital assets	(584,746)
Net cash used by capital and related financing activities	(365,085)
<b>Investing activities</b>	
Note payments to joint venture	20,766
Distributions from joint venture	70,508
Interest received	114,489
Net cash provided by investing activities	205,763
<b>Net increase in cash and cash equivalents</b>	14,321
<b>Cash and cash equivalents - beginning</b>	2,911,116
<b>Cash and cash equivalents - ending</b>	<b>\$ 2,925,437</b>
<b>Classified as</b>	
Current assets - cash and cash equivalents	\$ 2,140,777
Restricted assets - cash and cash equivalents	784,660
	<b>\$ 2,925,437</b>

(Continued)

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund (Continued)  
Year Ended September 30, 2006

Business-type Activities/Enterprise Fund	Utility Fund
<b>Reconciliation of net operating income (loss) to net cash provided by operating activities</b>	
Net operating income (loss)	\$ (1,398)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	121,008
(Increase) decrease in assets	
Accounts receivable	30,192
Prepaid expenses	(26,801)
Increase (decrease) in liabilities	
Accounts payable	43,312
Accrued expenses	388
Accrued compensated absences	2,703
Customer deposits	4,239
Total adjustments	175,041
Net cash provided by operating activities	\$ 173,643

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, 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 City 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 noncurrent 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 generally 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 \$2,517,206 difference are as follows:

Notes to Basic Financial Statements

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

Cost of capital assets	\$	4,762,968
Less: accumulated depreciation		(2,245,762)
<hr/>		
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	2,517,206
<hr/>		

Another element of that reconciliation states, "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$49,916 difference are as follows:

Compensated absences	\$	49,916
<hr/>		

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balance - total governmental funds* and *change 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	\$	892,956
Depreciation expense		(211,455)
<hr/>		
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>	\$	681,501
<hr/>		

**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.

Notes to Basic Financial Statements

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

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.

***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.

The City had no investments at September 30, 2006.

***Interest Rate Risks***

At September 30, 2006, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2006, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2006, 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, 2006, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 5 – ACCOUNTS RECEIVABLE**

At September 30, 2006, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$ 29,442
Less: allowance for doubtful accounts	-
<hr/>	
Net accounts receivable	\$ 29,442

At September 30, 2006, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$ 150,078
Less: allowance for doubtful accounts	-
<hr/>	
Net accounts receivable	\$ 150,078

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

The composition of interfund balances as of September 30, 2006 is as follows:

Due to / from other funds:

<b>Payable Fund</b>	<b>Receivable Fund</b>	<b>Amount</b>
General	Utility	\$ (49,669)
<hr/>		
Total due to/from other funds		\$ (49,669)

The utility fund owed the general fund \$54,205 for operating advances. The general fund owed the utility fund and \$102,516 for equipment loans and \$1,358 for operating advances.

## Notes to Basic Financial Statements

**NOTE 7 – CAPITAL ASSETS**

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

	September 30, 2005	Increases	Decreases	September 30, 2006
<b>Capital assets, not being depreciated</b>				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Construction in process	-	120,750	-	120,750
<b>Total capital assets, not being depreciated</b>	<b>500,524</b>	<b>120,750</b>	<b>-</b>	<b>621,274</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	541,449	7,080	-	548,529
Improvements other than buildings	1,276,238	615,751	-	1,891,989
Machinery and equipment	1,583,672	149,376	31,872	1,701,176
<b>Total capital assets, being depreciated</b>	<b>3,401,359</b>	<b>772,207</b>	<b>31,872</b>	<b>4,141,694</b>
<b>Less accumulated depreciation</b>				
Buildings and improvements	364,984	18,048	-	383,032
Improvements other than buildings	524,716	44,084	-	568,800
Machinery and equipment	1,176,479	149,323	31,872	1,293,930
<b>Total accumulated depreciation</b>	<b>2,066,179</b>	<b>211,455</b>	<b>31,872</b>	<b>2,245,762</b>
<b>Total capital assets, being depreciated (net of accumulated depreciation)</b>	<b>1,335,180</b>	<b>560,752</b>	<b>-</b>	<b>1,895,932</b>
<b>Total governmental activities' capital assets (net of accumulated depreciation)</b>	<b>\$ 1,835,704</b>	<b>\$ 681,502</b>	<b>\$ -</b>	<b>\$ 2,517,206</b>

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2006:

Land	\$ 449,632
Construction in process	117,375
Water system	861,246
Sewer system	1,925,499
Machinery and equipment	827,985
<b>Total</b>	<b>4,181,737</b>

## Notes to Basic Financial Statements

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

Less: accumulated depreciation		
Water system	\$	726,428
Sewer system		422,575
Machinery and equipment		647,614
<hr/>		
Total accumulated depreciation		1,796,617
<hr/>		
Total business-type activities' capital assets (net of accumulated depreciation)	\$	2,385,120

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

	September 30, 2005	Increases	Decreases	September 30, 2006
<hr/>				
Capital assets, not being depreciated				
Land	\$ -	\$ 449,632	\$ -	\$ 449,632
Construction in process	-	117,375	-	117,375
<hr/>				
Total capital assets, not being depreciated	-	567,007	-	567,007
<hr/>				
Capital assets, being depreciated				
Water system	859,825	1,421	-	861,246
Sewer system	1,912,312	13,187	-	1,925,499
Machinery and equipment	825,744	3,131	890	827,985
<hr/>				
Total capital assets, being depreciated	3,597,881	17,739	890	3,614,730
<hr/>				
Less accumulated depreciation				
Water system	705,508	20,920	-	726,428
Sewer system	377,407	45,168	-	422,575
Machinery and equipment	593,584	54,920	890	647,614
<hr/>				
Total accumulated depreciation	1,676,499	121,008	890	1,796,617
<hr/>				
Total capital assets, being depreciated (net of accumulated depreciation)	1,921,382	(103,269)	-	1,818,113
<hr/>				
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 1,921,382	\$ 463,738	\$ -	\$ 2,385,120

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	\$	35,773
Public safety		87,023
Sanitation		16,373
Highways and streets		26,696
Maintenance		19,727
Culture and recreation		25,863
<hr/>		
Total depreciation expense – governmental activities	\$	211,455

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

Business-type activities		
Water system	\$	55,571
Sewer system		65,437
<hr/>		
Total depreciation expense – business-type activities	\$	121,008

**NOTE 8 – ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2006:

		<b>Total Accrued Compensated Absences</b>
<hr/>		
General fund	\$	49,916
Utility fund		12,528
<hr/>		
Total	\$	62,444

**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, 2006:

Notes to Basic Financial Statements

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

**General Fund**

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

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.

**Summary**

Specific reservations of fund balances are summarized below as of September 30, 2006:

**General Fund**

Reserved for prepaids	\$	72,737
Reserved for inventory		33,080
<hr/>		
Total	\$	105,817

**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, 2006, the City’s portion of the equity in the venture was \$116,812. 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.

## 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, 2006**

<b>Assets</b>	
Current assets	\$ 4,414,582
Noncurrent assets	40,215,833
<hr/>	
Total assets	44,630,415
<hr/>	
<b>Liabilities</b>	
Current liabilities	3,071,664
Noncurrent liabilities	32,696,330
<hr/>	
Total liabilities	35,767,994
<hr/>	
<b>Net assets</b>	<b>\$ 8,862,421</b>

**Statement of Activities  
Year Ended September 30, 2006**

Operating revenues	\$ 5,863,119
Operating expenses	4,006,269
<hr/>	
Operating income	1,856,850
Nonoperating revenues (expenses), net	(692,860)
<hr/>	
Net income before distributions to owners	1,163,990
Distributions to owners	(544,119)
<hr/>	
Change in net assets	619,871
Net assets, beginning of year	8,242,550
<hr/>	
Net assets, end of year	<b>\$ 8,862,421</b>

For the year ended September 30, 2006 the City of Parker had a net income from the joint venture in the amount of \$132,976.

As of September 30, 2006 the joint venture owes the City \$70,508 for distributions not yet paid to owners and the City owes the joint venture \$304,559 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.

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, 2006, was \$900,762.

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, 2005 Through June 30, 2006</b>	<b>July 1, 2006 Through September 30, 2006</b>
Regular employees	7.83%	9.85%
Special risk employees	18.53%	20.92%

During the year ended September 30, 2006, the City contributed \$123,269 to the system. These contributions represented 13% 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>
2004	89,599	100%	-
2005	101,780	100%	-
2006	123,269	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, 2006, and have issued our report thereon dated February 13, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *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 Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in that report, which are dated February 13, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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.

Those rules (Section 10 554 (1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations in the preceding annual financial audit report were corrected except as noted below under the heading Status of Prior Year Recommendations.

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 City of Parker, Florida complied with the provisions of Section 218.415., Florida Statutes.

The *Rules of the Auditor General* (Sections 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.

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#### 06-01 Reconciliation of Bank Statements (Prior year finding 05-01)

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.

#### 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.

#### 06-02 Utility Customer Deposits (Prior year finding 05-02)

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 in the future.

#### 06-03 Utility Accounts Receivable (Prior year finding 05-03)

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 in the future.

#### 06-04 Cash Disbursements

The person responsible for posting to the general ledger should have sufficient information to properly record the transactions. Cash disbursements, especially for law enforcement, are frequently being recorded into the wrong accounts.

#### Management's response

Detailed posting information will be documented to alleviate future similar occurrences.

## 06-05 Cash Deposits

During the audit it was noted that cash deposits are being posted to the wrong accounts and cash deposits are being made without being posted. Cash deposits should be sorted into general fund and utility fund deposits and reviewed by an independent person before being taken to the bank. The reviewer should initial or otherwise document the review. In addition, a reviewer should match the deposit to the batch posting report.

Management's response

Procedures will be put into place as suggested.

## **Status of Prior Year Recommendations**

05-01 See Current Year Recommendations 06-01

05-02 See Current Year Recommendations 06-02

05-03 See Current Year Recommendations 06-03

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 control 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 come to the attention of, the auditor. Other than already disclosed our audit disclosed no matters that are required to be disclosed by *Rules of the Auditor General* (Sections 10.554(1)(h)4.).

The *Rules of the Auditor General* (Section 10.554(1)(h)5.) 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 of Parker, Florida did not meet any 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 of Parker, Florida for the fiscal year ended September 30, 2006, was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with annual financial audit report for the fiscal year ended September 30, 2006.

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. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the City of Parker, Florida 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.

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

Panama City, Florida  
February 13, 2007



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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, 2006, which collectively comprise the City's basic financial statements and have issued our report dated February 13, 2007. 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 February 13, 2007.

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.

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

Panama City, Florida  
February 13, 2007

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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, 2006. 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, 2006.

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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.

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

Panama City, Florida  
February 13, 2007

City of Parker, Florida  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2006

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-01-13-01-617	\$ 25,378
U. S. Department of Transportation Passed through the State of Florida Department of Transportation			
Highway Planning and Construction	20.205	AN527	532,791
Total expenditures of federal awards			\$ 558,169

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, 2006

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

Financial Statements

Type of auditors' report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards and State Financial Assistance

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major federal award programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**Section II - Financial Statement Findings**

There were no findings.

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

There were no findings.