

City of Parker, Florida

Financial Statements

September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Florida (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. Those financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 opinion.

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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2008, 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 11, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 important for assessing the results of our audit.

Management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

March 11, 2009

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 \$6,998,863 (net assets). Of this amount, \$369,801 is unrestricted net assets for governmental activities and \$1,741,631 is unrestricted net assets for business-type activities, while \$2,638,830 is invested in capital assets for governmental activities and \$2,248,601 is invested in capital assets for business-type activities, both net of related debt.
- Total net assets decreased by \$452,215. Of this amount, \$306,928 is attributable to governmental activities and \$145,287 is attributable to business-type activities.
- As of September 30, 2008, the general fund's unreserved fund balance was \$293,372 or 14 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$1,961,520 or 7 percent, while governmental activities expenditures decreased 10 percent to \$2,268,449. Business-type activities revenues increased to \$1,865,739 or 13 percent, while business-type activities expenditures increased 19 percent to \$2,011,026.

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, 2008 and 2007. 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.

Net Assets

September 30,	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 664,501	\$ 759,174	\$ 2,302,249	\$ 2,400,825	\$ 2,966,750	\$ 3,159,999
Capital assets	2,638,830	2,850,517	2,248,601	2,347,356	4,887,431	5,197,873
Total assets	3,303,331	3,609,691	4,550,850	4,748,181	7,854,181	8,357,872
Current liabilities	239,104	243,571	302,913	351,754	542,017	595,325
Noncurrent liabilities	55,596	50,561	257,705	260,908	313,301	311,469
Total liabilities	294,700	294,132	560,618	612,662	855,318	906,794
Net assets invested in capital assets, net of related debt	2,638,830	2,850,517	2,248,601	2,347,356	4,887,431	5,197,873
Net assets – unrestricted	369,801	465,042	1,741,631	1,788,163	2,111,432	2,253,205
Total net assets	\$ 3,008,631	\$ 3,315,559	\$ 3,990,232	\$ 4,135,519	\$ 6,998,863	\$ 7,451,078

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 (70 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that the City's investment in its capital assets is not encumbered by any debt.

The balance of *unrestricted net assets* (\$2,111,432), representing 30 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 years ended September 30, 2008 and 2007.

Changes in Net Assets

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 425,995	\$ 516,140	\$1,553,282	\$1,510,400	\$ 1,979,277	\$ 2,026,540
Operating grants/contributions	29,392	31,211	-	-	29,392	31,211
Capital grants/contributions	12,240	1,189	-	-	12,240	1,189

Changes in Net Assets (continued)

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General revenues						
Taxes	\$1,432,469	\$ 1,425,771	\$ -	\$ -	\$ 1,432,469	\$ 1,425,771
Property taxes, CRA	41,208	-	-	-	41,208	-
Interest	15,400	14,067	54,417	110,024	69,817	124,091
Other	4,817	921,107	258,040	(842,389)	262,857	78,718
Total revenues	1,961,521	2,909,485	1,865,739	778,035	3,827,260	3,687,520
Expenses						
General government	512,025	859,005	-	-	512,025	859,005
Public safety	966,133	940,051	-	-	966,133	940,051
Code enforcement	33,306	27,282	-	-	33,306	27,282
Sanitation	246,526	233,428	-	-	246,526	233,428
Highways and streets	357,090	331,480	-	-	357,090	331,480
Maintenance	37,273	39,234	-	-	37,273	39,234
Parks and recreation	116,096	96,526	-	-	116,096	96,526
Utilities	-	-	2,011,026	1,685,285	2,011,026	1,685,285
Total expenses	2,268,449	2,527,006	2,011,026	1,685,285	4,279,475	4,212,291
Change in net assets	(306,928)	382,479	(145,287)	(907,250)	(452,215)	(524,771)
Beginning net assets	3,315,559	2,933,080	4,135,519	5,042,769	7,451,078	7,975,849
Ending net assets	\$3,008,631	\$3,315,559	\$ 3,990,232	\$ 4,135,519	\$ 6,998,863	\$ 7,451,078

Governmental activities expenses exceeded revenues by \$306,928, while business-type activities expenses exceeded revenues by \$145,287. Total revenues increased \$139,740 from the previous year.

73% of the revenues for governmental activities were generated by taxes and 22% were generated by charges for services. Most of the governmental resources were expended for general government (23%), public safety (43%), and highways and streets (16%) departments.

Charges for services provided \$1,553,282 in revenue 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, 2008, total assets were \$824,550 and total liabilities were \$427,131. At the end of fiscal year 2008, unreserved fund balance of the general fund was \$293,372, while total fund balance was \$397,419.

The general fund budget was amended during the year to reflect decreases in overall anticipated revenue, primarily from grants, and the corresponding decreases in associated expenditures. Actual revenues were less than anticipated by \$53,585. Actual expenditures were less than budgeted expenditures by \$243,963.

Other Governmental Fund

The Community Redevelopment Fund is used by the City to account for the revenues and expenses of the Parker Community Redevelopment Agency.

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 \$1,741,631.

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, 2008, was \$4,887,431 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

Capital Assets (net of depreciation)

September 30,	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 500,524	\$ 500,524	\$ 449,632	\$ 449,632	\$ 950,156	\$ 950,156
Construction in process	-	4,800	-	-	-	4,800
Buildings	130,750	149,626	-	141,640	130,750	291,266
Improvements	1,616,041	1,703,935	1,521,642	1,446,062	3,137,683	3,149,997
Machinery and equipment	391,515	491,632	277,327	310,022	668,842	801,654
Total	\$2,638,830	\$2,850,517	\$ 2,248,601	\$ 2,347,356	\$4,887,431	\$5,197,873

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, 2008

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 467,735	\$ 1,174,361	\$ 1,642,096
Accounts receivable (net of allowance for doubtful accounts)	180,214	95,113	275,327
Accrued revenue	118,784	-	118,784
Internal balances	(206,279)	206,279	-
Inventory	52,565	-	52,565
Prepaid expenses	51,482	52,961	104,443
Investment in joint venture	-	187,296	187,296
Restricted assets			
Cash and cash equivalents	-	586,239	586,239
Total current assets	664,501	2,302,249	2,966,750
Noncurrent assets			
Capital assets			
Nondepreciable	500,524	449,632	950,156
Depreciable (net of accumulated depreciation)	2,138,306	1,798,969	3,937,275
Total noncurrent assets	2,638,830	2,248,601	4,887,431
Total assets	3,303,331	4,550,850	7,854,181
Liabilities			
Current liabilities			
Accounts payable	154,953	85,939	240,892
Accrued expenses	70,252	7,234	77,486
Accrued compensated absences	13,899	3,527	17,426
Due to joint venture	-	206,213	206,213
Total current liabilities	239,104	302,913	542,017
Noncurrent liabilities			
Accrued compensated absences	55,596	14,110	69,706
Customer deposits	-	243,595	243,595
Total noncurrent liabilities	55,596	257,705	313,301
Total liabilities	294,700	560,618	855,318
Net assets			
Invested in capital assets (net of related debt)	2,638,830	2,248,601	4,887,431
Unrestricted	369,801	1,741,631	2,111,432
Total net assets	\$ 3,008,631	\$ 3,990,232	\$ 6,998,863

See accompanying notes

City of Parker, Florida
Statement of Activities
Year Ended September 30, 2008

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 512,025	\$ 95,985	\$ 22,260	\$ -	\$ (393,780)	\$ -	\$ (393,780)
Public safety	966,133	380	7,132	12,240	(946,381)	-	(946,381)
Code enforcement	33,306	-	-	-	(33,306)	-	(33,306)
Sanitation	246,526	317,814	-	-	71,288	-	71,288
Highways and streets	357,090	11,816	-	-	(345,274)	-	(345,274)
Maintenance	37,273	-	-	-	(37,273)	-	(37,273)
Parks and recreation	116,096	-	-	-	(116,096)	-	(116,096)
Total governmental activities	2,268,449	425,995	29,392	12,240	(1,800,822)	-	(1,800,822)
Business-type activities							
Utility	2,011,026	1,553,282	-	-	-	(457,744)	(457,744)
Total business-type activities	2,011,026	1,553,282	-	-	-	(457,744)	(457,744)
Total primary government	\$ 4,279,475	\$ 1,979,277	\$ 29,392	\$ 12,240	(1,800,822)	(457,744)	(2,258,566)
General revenues							
Taxes							
					340,335	-	340,335
					314,743	-	314,743
					41,207	-	41,207
					88,838	-	88,838
					160,435	-	160,435
					6,240	-	6,240
					181,529	-	181,529
					340,350	-	340,350
					1,473,677	-	1,473,677
					15,400	54,417	69,817
					4,817	258,040	262,857
					1,493,894	312,457	1,806,351
					(306,928)	(145,287)	(452,215)
					3,315,559	4,135,519	7,451,078
					\$ 3,008,631	\$ 3,990,232	\$ 6,998,863

See accompanying notes

City of Parker, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ 421,505	\$ 46,230	\$ 467,735
Accrued revenue	118,784	-	118,784
Accounts receivable (net of allowance for doubtful accounts)	180,214	-	180,214
Inventory	52,565	-	52,565
Prepaid expenses	51,482	-	51,482
Total assets	824,550	46,230	870,780
Liabilities and fund balance			
Liabilities			
Accounts payable	154,953	-	154,953
Accrued expenses	65,899	4,353	70,252
Due to other funds	206,279	-	206,279
Total liabilities	427,131	4,353	431,484
Fund balance			
Reserved for			
Prepaid expenses	51,482	-	51,482
Inventory	52,565	-	52,565
Unreserved, reported in			
General fund	293,372	-	293,372
Community redevelopment agency	-	41,877	41,877
Total fund balances	\$ 397,419	\$ 41,877	439,296
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.			2,638,830
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.			(69,495)
Net assets of governmental activities			\$ 3,008,631

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2008

	General Fund	Community Redevelopment Agency	Total
Revenues			
Taxes			
Utility tax	\$ 340,334	\$ -	\$ 340,334
Franchise fees	314,743	-	314,743
Communications tax	160,435	-	160,435
Local option gas tax	88,838	-	88,838
Property tax	-	41,207	41,207
Intergovernmental	525,635	-	525,635
Licenses and permits	52,128	-	52,128
Charges for services	341,894	-	341,894
Fines and forfeitures	38,286	-	38,286
Rents	3,090	-	3,090
Interest	14,730	670	15,400
Miscellaneous	3,407	-	3,407
Total revenues	1,883,520	41,877	1,925,397
Expenditures			
Current			
General government	471,408	-	471,408
Public safety	868,657	-	868,657
Code enforcement	33,486	-	33,486
Sanitation	227,906	-	227,906
Highways and streets	294,646	-	294,646
Maintenance	29,842	-	29,842
Parks and recreation	81,529	-	81,529
Capital outlay		-	
General government	11,300	-	11,300
Public safety	21,508	-	21,508
Highways and streets	437	-	437
Parks and recreation	9,750	-	9,750
Total expenditures	2,050,469	-	2,050,469
Excess (deficit) of revenues over (under) expenditures	(166,949)	41,877	(125,072)
Other financing sources (uses)			
Grants	30,606	-	30,606
Contributions	5,517	-	5,517
Total other financing sources (uses)	36,123	-	36,123
Net change in fund balances	(130,826)	41,877	(88,949)
Fund balances - beginning	528,245	-	528,245
Fund balances - ending	\$ 397,419	\$ 41,877	\$ 439,296

See accompanying notes

City of Parker, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended September 30, 2008

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

Net change in fund balances - total governmental funds (page 11)	\$ (88,949)
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.	(211,685)
The issuance of long-term debt (compensated absences) provides current resources to governmental funds, while it has no effect on the statement of activities.	(6,294)
<hr/>	
<u>Change in net assets of governmental activities (page 9)</u>	<u>\$ (306,928)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Utility tax	\$ 349,683	\$ 349,500	\$ 340,334	\$ (9,166)
Franchise fees	308,189	325,000	314,743	(10,257)
Communications tax	139,260	165,000	160,435	(4,565)
Local option gas tax	89,078	89,078	88,838	(240)
Intergovernmental	548,370	540,277	525,635	(14,642)
Licenses and permits	42,200	56,200	52,128	(4,072)
Charges for services	355,453	350,650	341,894	(8,756)
Fines and forfeitures	162,000	32,000	38,286	6,286
Rents	3,800	3,800	3,090	(710)
Interest	10,000	15,000	14,730	(270)
Miscellaneous	10,600	10,600	3,407	(7,193)
Total revenues	2,018,633	1,937,105	1,883,520	(53,585)
Expenditures				
Current				
General government	597,907	583,223	482,708	100,515
Public safety	911,979	928,469	890,165	38,304
Code enforcement	44,300	37,990	33,486	4,504
Sanitation	384,560	261,840	227,906	33,934
Highways and streets	1,301,762	319,600	295,083	24,517
Maintenance	33,245	35,200	29,842	5,358
Parks and recreation	107,030	107,160	91,279	15,881
Debt service	20,950	20,950	-	20,950
Total current	3,401,733	2,294,432	2,050,469	243,963
Excess (deficiency) of revenues over (under) expenditures				
	(1,383,100)	(357,327)	(166,949)	190,378
Other financing sources (uses)				
Grants	776,734	14,240	30,606	16,366
Contributions	6,000	6,050	5,517	(533)
Transfers	102,000	190,000	-	(190,000)
Total other financing sources (uses)	884,734	210,290	36,123	(174,167)
Net change in fund balance	(498,366)	(147,037)	(130,826)	16,211
Fund balance - beginning	528,245	528,245	528,245	-
Fund balance - ending	\$ 29,879	\$ 381,208	\$ 397,419	\$ 16,211

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Redevelopment Agency
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property tax	\$ -	\$ -	\$ 41,207	\$ 41,207
Interest	-	-	670	670
<hr/>				
Total revenues	-	-	41,877	41,877
Expenditures				
<hr/>				
Net change in fund balance	-	-	41,877	41,877
<hr/>				
Fund balance - beginning	-	-	-	-
<hr/>				
Fund balance - ending	\$ -	\$ -	\$ 41,877	\$ 41,877

See accompanying notes

City of Parker, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2008

Business-type Activities/Enterprise Fund	Utility Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,174,361
Accounts receivable (net of allowance for doubtful accounts)	95,113
Due from other funds	206,279
Prepaid expenses	52,961
Investment in joint venture	187,296
Restricted assets - cash and cash equivalents	
Customer deposits	243,030
Repair and replacement	294,722
Revenue bond current debt service	48,487
Total current assets	2,302,249
Noncurrent assets	
Capital assets	
Property, plant and equipment	4,283,706
Less accumulated depreciation	(2,035,105)
Total noncurrent assets	2,248,601
Total assets	4,550,850
Liabilities	
Current liabilities	
Accounts payable	85,939
Accrued expenses	7,234
Accrued compensated absences	3,527
Due to joint venture	206,213
Total current liabilities	302,913
Noncurrent liabilities	
Accrued compensated absences	14,110
Customer deposits	243,595
Total noncurrent liabilities	257,705
Total liabilities	560,618
Net assets	
Invested in capital assets (net of related debt)	2,248,601
Unrestricted	1,741,631
Total net assets	\$ 3,990,232

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2008

Business-type Activities/Enterprise Fund	
	Utility Fund
Operating revenues	
Charges for services	
Water and sewer charges	\$ 1,488,139
Connection, reset and reactivation fees	16,560
Late fees	30,730
Tap fees	3,965
Impact fees	10,100
Other utility income	3,788
Total operating revenues	1,553,282
Operating expenses	
Current	
Personal services	406,652
Communications	8,602
Contractual services	22,370
Cost of water and sewer	442,444
Debt service charges AWT	466,514
Depreciation	120,556
Fuel and lubricants	16,913
Insurance	41,567
Office supplies	4,708
Operating supplies	6,936
Other current charges	26,511
Postage	7,750
Printing and binding	2,690
Professional services	101,522
Promotional activities	969
Public utility services	26,387
Rentals	5,479
Repairs and maintenance	283,019
Road materials and supplies	241
Travel and per diem	16,398
Uniforms	2,149
Total operating expenses	2,010,377
Net operating income (loss)	(457,095)
Nonoperating revenues (expenses)	
Interest income	54,417
Loss on asset disposal	(649)
Gain from joint venture	258,040
Total nonoperating revenues (expenses)	311,808
Change in net assets	(145,287)
Total net assets - beginning	4,135,519
Total net assets - ending	\$ 3,990,232

See accompanying notes

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2008

Business-type Activities/Enterprise Fund	Utility Fund
Operating activities	
Receipts from customers and users	\$ 1,558,505
Payments to suppliers	(1,510,839)
Payments to employees	(404,651)
Net cash used by operating activities	(356,985)
Capital and related financing activities	
Payments to general fund	(55,307)
Purchase of capital assets	(22,450)
Net cash used by capital and related financing activities	(77,757)
Investing activities	
Distributions from joint venture	56,411
Interest received	54,417
Net cash provided by investing activities	110,828
Net decrease in cash and cash equivalents	(323,914)
Cash and cash equivalents - beginning	2,084,514
Cash and cash equivalents - ending	\$ 1,760,600
Classified as	
Current assets - cash and cash equivalents	\$ 1,174,361
Restricted assets - cash and cash equivalents	586,239
Cash and cash equivalents - ending	\$ 1,760,600
	(Continued)

See accompanying notes

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2008

Business-type Activities/Enterprise Fund	Utility Fund
Reconciliation of net operating income (loss) to net cash used by operating activities	
Net operating income (loss)	\$ (457,095)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities	
Depreciation	120,556
(Increase) decrease in assets	
Accounts receivable	10,027
Prepaid expenses	(10,774)
Increase (decrease) in liabilities	
Accounts payable	(18,631)
Accrued expenses	1,735
Accrued compensated absences	2,001
Customer deposits	(4,804)
Total adjustments	100,110
Net cash used by operating activities	\$ (356,985)

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.

Component Unit – Parker Community Redevelopment Agency

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Council. The City has one component unit as defined by GASB Statement 14, *The Financial Reporting Entity* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Parker Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on December 19, 2006 by City Ordinance 06-311 pursuant to Florida Statute 163.387. All of the City's council members serve as board members of the Agency. The Agency is presented as a governmental fund type with fiscal year end of September 30.

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading. The Agency's governing body is the same as the governing body of the City and the Agency does provide services specifically to the Parker Community Redevelopment Area of the City. The Agency is disclosed using the blended presentation method. Complete financial statements for the Parker Community Redevelopment Agency may be obtained from the City of Parker, 1001 West Park Street, Parker, Florida 32404.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,638,830 difference are as follows:

Cost of capital assets	\$	5,381,897
Less: accumulated depreciation		(2,743,067)
<hr/>		
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	2,638,830
<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 \$69,495 difference are as follows:

Compensated absences	\$	69,495
<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:

Notes to Basic Financial Statements

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

Capital outlay	\$	42,995
Depreciation expense		(250,731)
Loss on disposal of assets		(3,949)
<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>	\$	(211,685)
<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.

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 sec. 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 sec. 280.02.

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2008.

Interest Rate Risks

At September 30, 2008, the City did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2008, the City did not hold any investments that were considered to be a credit risk.

Custodial Risks

At September 30, 2008, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2008, the City did not hold any investments that were considered to be a concentration of credit risk.

NOTE 5 – ACCOUNTS RECEIVABLE

At September 30, 2008, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$ 186,102
Less: allowance for doubtful accounts	(5,888)
<hr/>	
Net accounts receivable	<u>\$ 180,214</u>

Notes to Basic Financial Statements

NOTE 5 – ACCOUNTS RECEIVABLE (CONTINUED)

At September 30, 2008, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$ 133,632
Less: allowance for doubtful accounts	(38,519)
<hr/>	
Net accounts receivable	\$ 95,113
<hr/>	

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows:
Due to / from other funds:

Payable Fund	Receivable Fund	Amount
General	Utility	\$ 206,279
<hr/>		
Total due to/from other funds		\$ 206,279
<hr/>		

The general fund owed the utility fund and \$31,866 for equipment loans and \$174,412 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, 2007	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Construction in process	4,800	-	(4,800)	-
Total capital assets, not being depreciated	505,324	-	(4,800)	500,524
Capital assets, being depreciated				
Buildings and improvements	551,524	-	-	551,524
Improvements other than buildings	2,349,909	-	-	2,349,909
Machinery and equipment	1,936,096	43,844	-	1,979,940
Total capital assets, being depreciated	4,837,529	43,844	-	4,881,373
Less accumulated depreciation				
Buildings and improvements	401,898	18,876	-	420,774
Improvements other than buildings	645,974	87,894	-	733,868
Machinery and equipment	1,444,464	143,961	-	1,588,425
Total accumulated depreciation	2,492,336	250,731	-	2,743,067
Total capital assets, being depreciated (net of accumulated depreciation)	2,345,193	(206,887)	-	2,138,306
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,850,517	\$ (206,887)	\$ (4,800)	\$ 2,638,830

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2008:

Land	\$ 449,632
Water system	889,271
Sewer system	1,913,427
Machinery and equipment	1,031,376
Total	\$ 4,283,706

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Less: accumulated depreciation		
Water system	\$	770,103
Sewer system		510,953
Machinery and equipment		754,049
<hr/>		
Total accumulated depreciation		2,035,105
<hr/>		
Total business-type activities' capital assets (net of accumulated depreciation)	\$	2,248,601

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

	September 30, 2007	Increases	Decreases	September 30, 2008
<hr/>				
Capital assets, not being depreciated				
Land	\$ 449,632	\$ -	\$ -	\$ 449,632
<hr/>				
Total capital assets, not being depreciated	449,632	-	-	449,632
<hr/>				
Capital assets, being depreciated				
Water system	889,271	-	-	889,271
Sewer system	1,913,427	-	-	1,913,427
Machinery and equipment	1,010,776	22,450	(1,850)	1,031,376
<hr/>				
Total capital assets, being depreciated	3,813,474	22,450	(1,850)	3,834,074
<hr/>				
Less accumulated depreciation				
Water system	747,631	22,472	-	770,103
Sewer system	467,365	44,789	(1,201)	510,953
Machinery and equipment	700,754	53,295	-	754,049
<hr/>				
Total accumulated depreciation	1,915,750	120,556	(1,201)	2,035,105
<hr/>				
Total capital assets, being depreciated (net of accumulated depreciation)	1,897,724	(98,106)	(649)	1,798,969
<hr/>				
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,347,356	\$ (98,106)	\$ (649)	\$ 2,248,601

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	\$	33,067
Public safety		95,524
Sanitation		16,373
Highways and streets		64,501
Maintenance		7,052
Culture and recreation		34,214
<hr/>		
Total depreciation expense – governmental activities	\$	250,731

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

Business-type activities		
Water system	\$	57,187
Sewer system		63,369
<hr/>		
Total depreciation expense – business-type activities	\$	120,556

NOTE 8 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2008:

		Total Accrued Compensated Absences
<hr/>		
General fund	\$	69,495
Utility fund		17,637
<hr/>		
Total	\$	87,132

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, 2008:

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, 2008:

General Fund

Reserved for prepaids	\$	51,482
Reserved for inventory		52,565
<hr/>		
Total	\$	104,047

There are no restrictions on net assets by enabling legislation.

NOTE 10 – INVESTMENT IN JOINT VENTURE

The City of Parker, Florida, in alliance with Bay County, 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 joint venture is to provide these services in an economical, efficient, and environmentally appropriate manner to their respective citizenry. This joint venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF), assumed ownership of the existing wastewater treatment plant and then completed construction of a new seven million gallon per day advanced wastewater treatment facility which was placed in service on July 20, 1999. The new facility was funded by a combination of conventional borrowing and State Revolving Fund loans.

MPAWTF is owned and governed by Bay County; the Cities of Callaway, Parker and Springfield; and the Town of Cedar Grove. One owner is selected by the others to be responsible for operating the MPAWTF. The owner delegated to be the operator is Bay County, Florida. The operator of the MPAWTF, in accordance with the interlocal agreement, prepares the MPAWTF's annual budget, sets treatment rates, and collects funds sufficient to pay debt service; costs of operations and maintenance; renewal and replacement; and necessary enhancements to reserves.

The results of operations and cash flows are accounted for within the financial statements of the MPAWTF. The City's interest in equity is reported within the City's utility fund. As of September 30, 2008, the City's portion of the equity in the MPAWTF was \$187,296. 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 MPAWTF are as follows:

**Statement of Net Assets
September 30, 2008**

Assets	
Current assets	\$ 3,099,792
Noncurrent assets	36,938,778
<hr/>	
Total assets	40,038,570
<hr/>	
Liabilities	
Current liabilities	2,848,958
Noncurrent liabilities	28,826,600
<hr/>	
Total liabilities	31,675,558
<hr/>	
Net assets	\$ 8,363,012

**Statement of Activities
Year Ended September 30, 2008**

Operating revenues	\$ 5,950,322
Operating expenses	3,949,343
<hr/>	
Operating income	2,000,979
Nonoperating revenues (expenses), net	(956,285)
<hr/>	
Net income before distributions to owners	1,044,694
Distributions to owners	(660,588)
<hr/>	
Change in net assets	384,106
<hr/>	
Net assets, beginning of year	7,978,906
<hr/>	
Net assets, end of year	\$ 8,363,012

For the year ended September 30, 2008 the City of Parker had a net gain from the joint venture in the amount of \$258,040.

As of September 30, 2008 the joint venture owes the City \$78,769 for distributions not yet paid to owners and the City owes the joint venture \$284,982 for transferred collection system and segregation line. This has been recorded in the enterprise fund as net due to joint venture \$206,213.

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, 2008, was \$1,127,376.

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:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Special risk employees	20.92%	20.92%

During the year ended September 30, 2008, the City contributed \$166,701 to the system. These contributions represented 15% of covered payroll.

Three Year Trend Information

Year Ended September 30,	Annual Pension Cost (APC)	Percent of APC Contribution	Net Pension Obligation
2006	123,269	100%	-
2007	152,166	100%	-
2008	166,701	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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Parker, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 11, 2009.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 11, 2009, 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. This letter includes the following information, which is not included in the aforementioned report.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual report. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required

disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires 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 of Parker, Florida, was established under a Charter in accordance with the Laws of Florida, 1951, Chapter 27685, sections. There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The Parker Community Redevelopment Agency is operated by the City. The Agency was created on December 19, 2006 by City Resolution 06-311, pursuant to Section 163.387, Florida Statutes.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement 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, and identification of the specific condition(s) met. 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.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Parker, Florida for the fiscal year ended September 30, 2008, filed with the 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition 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 the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City of Parker, Florida's City Council, management, certain regulatory agencies, and the Florida 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.

March 11, 2009

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Florida (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2009. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Parker, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Significant adjustments to the financial records were made in order for the financial statements to conform to U.S. generally accepted accounting principles.

08-02 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response

Management has considered the above significant deficiencies in the City's internal control and believe the costs required to correct them would outweigh the benefits derived from implementing corrective action.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above is a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated March 11, 2009.

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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 11, 2009