

City of Parker, Florida

Financial Statements

September 30, 2010

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances 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 Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency	14
Statement of Net Assets – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Basic Financial Statements	19

Required Supplementary Information

Schedule of Funding Progress for the Retiree's Health Insurance Other Post
Employment Benefits Plan 39

Schedule of Employer Contributions for the Retiree's Health Insurance Other
Post Employee Benefits Plan 39

Compliance Section

Independent Auditor's Management Letter 40

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* 42

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 the 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2010, 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 June 16, 2011, 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 the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis information on pages 3 through 7 and the schedule of funding progress for the retiree's health insurance other post employment benefits plan and schedule of employer contributions for the retiree's health insurance other post employment benefits plan on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Certified Public Accountants

June 16, 2011

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 \$6,207,086 (net assets). Of this amount, \$357,437 is unrestricted net assets for governmental activities and \$1,110,385 is unrestricted net assets for business-type activities, while \$2,340,996 is invested in capital assets for governmental activities and \$2,054,995 is invested in capital assets for business-type activities, both net of related debt.
- Total net assets increased by \$45,965. Of this amount, a decrease of \$72,908 is attributable to governmental activities and an increase of \$118,873 is attributable to business-type activities.
- As of September 30, 2010, the general fund's unreserved fund balance was \$303,837 or 15 percent of total general fund expenditures.
- Governmental activities revenues increased to \$2,147,203 or 1 percent, while expenses for governmental activities decreased 6 percent to \$2,220,111. Business-type activities revenues increased to \$1,941,514 or 45 percent, while business-type activities expenses decreased 6 percent to \$1,822,641.

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, maintenance and parks and recreation. Business-type activities expenses, which are financed primarily 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 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, 2010 and 2009. 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

	Governmental		Business-type		Total	
	Activities		Activities			
September 30,	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 569,481	\$ 479,797	\$ 2,051,989	\$ 1,961,033	\$ 2,621,470	\$ 2,440,830
Capital assets	2,396,431	2,514,470	2,054,995	2,141,545	4,451,426	4,656,015
Total assets	2,965,912	2,994,267	4,106,984	4,102,578	7,072,896	7,096,845
Current liabilities	114,799	106,333	311,263	450,869	426,062	557,202
Noncurrent liabilities	152,680	116,593	287,068	261,929	439,748	378,522
Total liabilities	267,479	222,926	598,331	712,798	865,810	935,724
Net assets invested in capital assets, net of related debt	2,340,996	2,442,365	2,054,995	2,141,545	4,395,991	4,583,910
Net assets restricted	-	-	343,273	343,255	343,273	343,255
Net assets – unrestricted	357,437	328,976	1,110,385	904,980	1,467,822	1,233,956
Total net assets	\$ 2,698,433	\$ 2,771,341	\$ 3,508,653	\$ 3,389,780	\$ 6,207,086	\$ 6,161,121

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 (71 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending.

The balance of *unrestricted net assets* (\$1,467,822), representing 24 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, 2010 and 2009.

Changes in Net Assets

Year Ended	Governmental		Business-type		Total	
	Activities		Activities			
September 30,	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$ 431,236	\$ 402,651	\$ 1,805,076	\$ 1,507,603	\$ 2,236,312	\$ 1,910,254

Changes in Net Assets (continued)

Year Ended	Governmental		Business-type		Total	
	Activities		Activities			
September 30,	2010	2009	2010	2009	2010	2009
Operating grants/contributions	\$ 8,345	\$ 19,185	\$ -	\$ -	\$ 8,345	\$ 19,185
Capital grants/contributions	102,401	-	-	-	102,401	-
General revenues						
Taxes	1,490,777	1,429,985	-	-	1,490,777	1,429,985
Property taxes, CRA	6,812	15,518	-	-	6,812	15,518
Interest	1,660	8,356	14,442	39,374	16,102	47,730
Transfers	103,030	200,000	(103,030)	(200,000)	-	-
Other	2,942	44,396	225,026	(6,110)	227,968	38,286
Total revenues	2,147,203	2,120,091	1,941,514	1,340,867	4,088,717	3,460,958
Expenses						
General government	423,343	531,961	-	-	423,343	531,961
Public safety	1,053,233	1,022,867	-	-	1,053,233	1,022,867
Code enforcement	18,766	43,521	-	-	18,766	43,521
Sanitation	266,166	284,420	-	-	266,166	284,420
Highways and streets	319,890	325,985	-	-	319,890	325,985
Maintenance	36,043	35,382	-	-	36,043	35,382
Parks and recreation	102,670	113,245	-	-	102,670	113,245
Utilities	-	-	1,822,641	1,941,319	1,822,641	1,941,319
Total expenses	2,220,111	2,357,381	1,822,641	1,941,319	4,042,752	4,298,700
Change in net assets	(72,908)	(237,290)	118,873	(600,452)	45,965	(837,742)
Beginning net assets	2,771,341	3,008,631	3,389,780	3,990,232	6,161,121	6,998,863
Ending net assets	\$ 2,698,433	\$ 2,771,341	\$ 3,508,653	\$ 3,389,780	\$ 6,207,086	\$ 6,161,121

Governmental activities expenses exceeded revenues by \$72,908, while business-type activities revenues exceeded expenses by \$118,873. Total revenues increased \$627,759 over the previous year.

Sixty-nine percent (69%) of the revenues for governmental activities were generated by taxes and 20% were generated by charges for services. Most of the governmental resources were expended for general government (19%), public safety (47%), highways and streets (14%), and sanitation (12%) departments.

Charges for services provided \$1,805,076 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, 2010, total assets were \$514,245 and total liabilities were \$89,758. At the end of fiscal year 2010, unreserved fund balance of the general fund was \$303,837, while total fund balance was \$424,487.

The general fund budget was amended during the year to reflect anticipated increases in tax revenue and intergovernmental revenue and decreases in charge for service revenue. The budget was also amended to show a general decrease in expenditures due to cut backs and a decrease in the funds transferred to the general fund from the utility fund. Actual revenues were more than anticipated by \$12,212. Actual expenditures were less than budgeted expenditures by \$64,708.

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 \$1,110,385.

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, 2010, was \$4,451,426 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

Capital Assets (net of depreciation)

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 500,524	\$ 500,524	\$ 449,632	\$ 449,632	\$ 950,156	\$ 950,156
Buildings	88,750	106,918	-	-	88,750	106,918
Improvements	1,444,095	1,532,441	1,388,310	1,454,725	2,832,405	2,987,166
Machinery and equipment	363,062	374,587	217,053	237,188	580,115	611,775
Total	\$ 2,396,431	\$ 2,514,470	\$ 2,054,995	\$ 2,141,545	\$ 4,451,426	\$ 4,656,015

Additional information on the City's capital assets can be found in note 7 – Capital Assets, of the notes to 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: Tonya Barrow, Mayor.

City of Parker, Florida
Statement of Net Assets
September 30, 2010

Primary Government

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 259,357	\$ 995,342	\$ 1,254,699
Accounts receivable, net	47,533	131,537	179,070
Accrued revenue	149,288	-	149,288
Due from other governments	4,519	-	4,519
Internal balances	(11,866)	11,866	-
Inventory	40,631	-	40,631
Prepaid expenses	80,019	58,938	138,957
Investment in joint venture	-	264,926	264,926
Restricted assets			
Cash and cash equivalents	-	589,380	589,380
Total current assets	569,481	2,051,989	2,621,470
Noncurrent assets			
Capital assets			
Nondepreciable	500,524	449,632	950,156
Depreciable, net	1,895,907	1,605,363	3,501,270
Total noncurrent assets	2,396,431	2,054,995	4,451,426
Total assets	2,965,912	4,106,984	7,072,896
Liabilities			
Current liabilities			
Accounts payable	38,547	86,948	125,495
Accrued expenses	44,884	3,618	48,502
Accrued compensated absences	13,825	4,621	18,446
Notes payable	17,543	-	17,543
Due to joint venture	-	216,076	216,076
Total current liabilities	114,799	311,263	426,062
Noncurrent liabilities			
Accrued compensated absences	55,299	18,486	73,785
Notes payable	37,892	-	37,892
Customer deposits	-	247,121	247,121
Other postemployment benefits	59,489	21,461	80,950
Total noncurrent liabilities	152,680	287,068	439,748
Total liabilities	267,479	598,331	865,810
Net assets			
Invested in capital assets (net of related debt)	2,340,996	2,054,995	4,395,991
Restricted for other purposes	-	343,273	343,273
Unrestricted	357,437	1,110,385	1,467,822
Total net assets	\$ 2,698,433	\$ 3,508,653	\$ 6,207,086

See accompanying notes

City of Parker, Florida
Statement of Activities
Year Ended September 30, 2010

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government						
Governmental activities						
General government	\$ 423,343	\$ 46,693	\$ 5,079	\$ -	\$ (371,571)	\$ (371,571)
Public safety	1,053,233	5,546	3,266	102,364	(942,057)	(942,057)
Code enforcement	18,766	-	-	-	(18,766)	(18,766)
Sanitation	266,166	362,838	-	-	96,672	96,672
Highways and streets	319,890	16,159	-	-	(303,731)	(303,731)
Maintenance	36,043	-	-	-	(36,043)	(36,043)
Parks and recreation	102,670	-	-	37	(102,633)	(102,633)
Total governmental activities	2,220,111	431,236	8,345	102,401	(1,678,129)	(1,678,129)
Business-type activities						
Utility	1,822,641	1,805,076	-	-	(17,565)	(17,565)
Total business-type activities	1,822,641	1,805,076	-	-	(17,565)	(17,565)
Total primary government	\$ 4,042,752	\$ 2,236,312	\$ 8,345	\$ 102,401	(1,678,129)	(1,695,694)
General revenues						
Taxes						
Utility tax					360,686	360,686
Business tax					31,415	31,415
Property tax					6,812	6,812
Local option gas tax					94,460	94,460
Communications tax					156,358	156,358
Half cent sales tax					305,771	305,771
Franchise fees					354,056	354,056
Licenses and fees					8,110	8,110
Intergovernmental					179,921	179,921
Total					1,497,589	1,497,589
Interest earnings					1,660	1,660
Miscellaneous					2,942	2,942
Transfers					103,030	(103,030)
Total general revenues, interest and other revenue					1,605,221	136,438
Change in net assets					(72,908)	118,873
Net assets - beginning					2,771,341	3,389,780
Net assets - ending					\$ 2,698,433	\$ 3,508,653
						\$ 6,207,086

See accompanying notes
9

City of Parker, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ 196,774	\$ 62,583	\$ 259,357
Accrued revenue	149,288	-	149,288
Accounts receivable, net	47,533	-	47,533
Due from other governments	-	4,519	4,519
Inventory	40,631	-	40,631
Prepays	80,019	-	80,019
Total assets	\$ 514,245	\$ 67,102	581,347
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 38,547	\$ -	38,547
Accrued expenses	44,884	-	44,884
Due to other funds	6,327	5,539	11,866
Total liabilities	89,758	5,539	95,297
Fund balance			
Reserved for			
Prepays	80,019	-	80,019
Inventory	40,631	-	40,631
Unreserved, reported in			
General fund	303,837	-	303,837
Community redevelopment agency	-	61,563	61,563
Total fund balances	424,487	61,563	486,050
Total liabilities and fund balances	\$ 514,245	\$ 67,102	
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.			2,396,431
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.			(184,048)
Net assets of governmental activities			\$ 2,698,433

City of Parker, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2010

	General Fund	Community Redevelopment Agency	Total
Revenues			
Taxes			
Utility tax	\$ 360,686	\$ -	\$ 360,686
Business tax	31,415	-	31,415
Communications tax	156,358	-	156,358
Local option gas tax	94,460	-	94,460
Property tax	-	6,812	6,812
Intergovernmental	597,616	-	597,616
Licenses and permits	371,919	-	371,919
Charges for services	394,721	-	394,721
Fines and forfeitures	17,393	-	17,393
Rents	4,025	-	4,025
Interest	1,502	158	1,660
Miscellaneous	2,942	-	2,942
Total revenues	2,033,037	6,970	2,040,007
Expenditures			
Current			
General government	386,908	3,255	390,163
Public safety	956,803	-	956,803
Code enforcement	17,790	-	17,790
Sanitation	249,069	-	249,069
Highways and streets	249,754	-	249,754
Maintenance	30,410	-	30,410
Parks and recreation	66,985	-	66,985
Capital outlay			
Public safety	85,155	-	85,155
Debt Service	20,448	-	20,448
Total expenditures	2,063,322	3,255	2,066,577
Excess (deficit) of revenues over (under) expenditures	(30,285)	3,715	(26,570)
Other financing sources (uses)			
Contributions	4,168	-	4,168
Transfers	103,030	-	103,030
Total other financing sources (uses)	107,198	-	107,198
Net change in fund balances	76,913	3,715	80,628
Fund balances - beginning	347,574	57,848	405,422
Fund balances - ending	\$ 424,487	\$ 61,563	\$ 486,050

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, 2010

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)	\$ 80,628
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.	(118,039)
The issuance of long-term debt provides current resources to governmental funds, while it has no effect on the statement of activities.	23,992
Other postemployment benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(59,489)
<u>Change in net assets of governmental activities (page 9)</u>	<u>\$ (72,908)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Utility tax	\$ 335,800	\$ 355,000	\$ 360,686	\$ 5,686
Franchise fees	15,000	30,560	31,415	855
Communications tax	154,575	156,400	156,358	(42)
Local option gas tax	86,100	93,500	94,460	960
Intergovernmental	574,112	602,850	597,616	(5,234)
Licenses and permits	358,226	364,900	371,919	7,019
Charges for services	412,743	395,990	394,721	(1,269)
Fines and forfeitures	27,500	14,750	17,393	2,643
Rents	2,500	4,050	4,025	(25)
Interest	7,500	1,225	1,502	277
Miscellaneous	7,000	1,600	2,942	1,342
Total revenues	1,981,056	2,020,825	2,033,037	12,212
Expenditures				
Current				
General government	442,745	413,030	386,908	26,122
Public safety	1,029,186	1,044,000	1,041,958	2,042
Code enforcement	44,525	22,000	17,790	4,210
Sanitation	281,660	254,000	249,069	4,931
Highways and streets	272,290	257,000	249,754	7,246
Maintenance	31,730	35,000	30,410	4,590
Parks and recreation	78,000	72,000	66,985	5,015
Debt service	30,450	31,000	20,448	10,552
Total current	2,210,586	2,128,030	2,063,322	64,708
Excess (deficiency) of revenues over (under) expenditures				
	(229,530)	(107,205)	(30,285)	76,920
Other financing sources (uses)				
Contributions	4,500	4,175	4,168	(7)
Transfers	225,030	103,030	103,030	-
Total other financing sources (uses)	229,530	107,205	107,198	(7)
Net change in fund balance	-	-	76,913	76,913
Fund balance - beginning	347,574	347,574	347,574	-
Fund balance - ending	\$ 347,574	\$ 347,574	\$ 424,487	\$ 76,913

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, 2010

	<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	\$ 8,900	\$ 8,900	\$ 6,812	\$ (2,088)
Interest	900	900	158	(742)
<hr/>				
Total revenues	9,800	9,800	6,970	(2,830)
Expenditures				
Current				
General government	17,195	17,195	3,255	13,940
<hr/>				
Net change in fund balance	(7,395)	(7,395)	3,715	11,110
Fund balance - beginning	57,848	57,848	57,848	-
<hr/>				
Fund balance - ending	\$ 50,453	\$ 50,453	\$ 61,563	\$ 11,110

See accompanying notes

City of Parker, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2010

Business-type Activities/Enterprise Fund	Utility Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 995,342
Accounts receivable, net	131,537
Due from other funds	11,866
Prepaid expenses	58,938
Investment in joint venture	264,926
Restricted assets - cash and cash equivalents	
Customer deposits	246,107
Repair and replacement	294,722
Revenue bond current debt service	48,551
Total current assets	2,051,989
Noncurrent assets	
Capital assets	
Property, plant and equipment	4,286,503
Less accumulated depreciation	(2,231,508)
Total noncurrent assets	2,054,995
Total assets	4,106,984
Liabilities	
Current liabilities	
Accounts payable	86,948
Accrued expenses	3,618
Accrued compensated absences	4,621
Due to joint venture	216,076
Total current liabilities	311,263
Noncurrent liabilities	
Accrued compensated absences	18,486
Customer deposits	247,121
Other postemployment benefits	21,461
Total noncurrent liabilities	287,068
Total liabilities	598,331
Net assets	
Invested in capital assets (net of related debt)	2,054,995
Restricted for other purposes	343,273
Unrestricted	1,110,385
Total net assets	\$ 3,508,653

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2010

Business-type Activities/Enterprise Fund	Utility Fund
Operating revenues	
Charges for services	
Water and sewer charges	\$ 1,741,358
Connection, reset and reactivation fees	18,130
Late fees	36,800
Tap fees	2,560
Impact fees	1,775
Other utility income	4,453
Total operating revenues	1,805,076
Operating expenses	
Current	
Personal services	438,950
Communications	5,927
Contractual services	11,797
Cost of water and sewer	439,932
Debt service charges AWT	493,455
Depreciation	91,367
Fuel and lubricants	12,607
Insurance	52,388
Office supplies	2,173
Operating supplies	3,496
Other current charges	9,342
Postage	7,284
Printing and binding	862
Professional services	51,808
Promotional activities	393
Public utility services	30,119
Rentals	5,393
Repairs and maintenance	149,467
Road materials and supplies	257
Travel and per diem	13,274
Uniforms	2,350
Total operating expenses	1,822,641
Net operating income (loss)	(17,565)
Nonoperating revenues (expenses)	
Interest income	14,442
Gain from joint venture	225,026
Transfers	(103,030)
Total nonoperating revenues (expenses)	136,438
Change in net assets	118,873
Total net assets - beginning	3,389,780
Total net assets - ending	\$ 3,508,653

See accompanying notes

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2010

Business-type Activities/Enterprise Fund	Utility Fund
Operating activities	
Receipts from customers and users	\$ 1,764,755
Payments to suppliers	(1,439,911)
Payments to employees	(417,793)
Net cash used by operating activities	(92,949)
Capital and related financing activities	
Payments from general fund	111,893
Purchase of capital assets	(4,817)
Net cash provided by capital and related financing activities	107,076
Investing activities	
Distributions from joint venture	69,380
Interest received	14,442
Net cash provided by investing activities	83,822
Net increase in cash and cash equivalents	97,949
Cash and cash equivalents - beginning	1,486,773
Cash and cash equivalents - ending	\$ 1,584,722
Classified as	
Current assets - cash and cash equivalents	\$ 995,342
Restricted assets - cash and cash equivalents	589,380
Cash and cash equivalents - ending	\$ 1,584,722

(Continued)

See accompanying notes

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2010

Business-type Activities/Enterprise Fund	Utility Fund
Reconciliation of net operating income (loss) to net cash used by operating activities	
Net operating income (loss)	\$ (17,565)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities	
Depreciation	91,367
(Increase) decrease in assets	
Accounts receivable, net	(44,242)
Prepaid expenses	2,990
Increase (decrease) in liabilities	
Accounts payable	(144,724)
Accrued expenses	(5,853)
Accrued compensated absences	(304)
Customer deposits	3,921
Other postemployment benefits	21,461
Total adjustments	(75,384)
Net cash used by operating activities	\$ (92,949)

See accompanying notes

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parker (City) have been prepared in conformity with United States generally accepted accounting principles (U.S. 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, parks 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 provides 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 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at cost 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.

Subsequent events

The City evaluates subsequent events through the date the financial statements are issued.

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 balances - total governmental funds* and *net assets of 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 \$2,396,431 difference are as follows:

Cost of capital assets	\$	5,417,908
Less: accumulated depreciation		(3,021,477)
<hr/>		
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	2,396,431
<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 \$184,048 difference are as follows:

Compensated absences	\$	69,124
Other postemployment benefits		59,489
Notes payable		55,435
<hr/>		
Net adjustment to decrease <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	184,048
<hr/>		

Notes to Basic Financial Statements

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances - 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	\$ 85,155
Depreciation expense	(203,194)
<hr/>	
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$ (118,039)
<hr/>	

NOTE 3 – BUDGETS

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the City are placed in banks that are qualified 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.

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2010.

Interest Rate Risks

At September 30, 2010, the City did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2010, the City did not hold any investments that were considered to be a credit risk.

Custodial Risks

At September 30, 2010, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2010, the City did not hold any investments that were considered to be a concentration of credit risk.

Notes to Basic Financial Statements

NOTE 5 – ACCOUNTS RECEIVABLE

At September 30, 2010, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$	55,795
Less: allowance for doubtful accounts		(8,262)
<hr/>		
Accounts receivable, net	\$	47,533

At September 30, 2010, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$	176,260
Less: allowance for doubtful accounts		(44,723)
<hr/>		
Accounts receivable, net	\$	131,537

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2010 is as follows:

Due to / from other funds:

Payable Fund	Receivable Fund	Amount
General	Utility	\$ 11,866
Community Redevelopment Agency	General	5,539
<hr/>		
Total due to/from other funds		\$ 17,405

The general fund owed the utility fund \$11,866 for equipment loans. The Community Redevelopment Agency owed the general fund \$5,539 for operating advances.

Interfund transfers for the year ended September 30, 2010, consisted of the following:

	Transfers in	Transfers out
General fund	\$ 103,030	\$ -
Utility fund	-	103,030
<hr/>		
Total	\$ 103,030	\$ 103,030

The transfers to the general fund from the utility fund were for operations.

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS

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

	September 30, 2009	Increases	Decreases	September 30, 2010
Capital assets, not being depreciated				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Total capital assets, not being depreciated	500,524	-	-	500,524
Capital assets, being depreciated				
Buildings and improvements	544,444	-	-	544,444
Improvements other than buildings	2,354,428	-	-	2,354,428
Machinery and equipment	1,933,357	85,155	-	2,018,512
Total capital assets, being depreciated	4,832,229	85,155	-	4,917,384
Less accumulated depreciation				
Buildings and improvements	437,526	18,168	-	455,694
Improvements other than buildings	821,987	88,346	-	910,333
Machinery and equipment	1,558,770	96,680	-	1,655,450
Total accumulated depreciation	2,818,283	203,194	-	3,021,477
Total capital assets, being depreciated (net of accumulated depreciation)	2,013,946	(118,039)	-	1,895,907
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,514,470	\$ (118,039)	\$ -	\$ 2,396,431

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2010:

Land	\$ 449,632
Water system	889,271
Sewer system	1,913,427
Machinery and equipment	1,034,173
Total	4,286,503

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Less: accumulated depreciation		
Water system	\$	813,955
Sewer system		600,433
Machinery and equipment		817,120
<hr/>		
Total accumulated depreciation		2,231,508
<hr/>		
Total business-type activities' capital assets (net of accumulated depreciation)	\$	2,054,995

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

	September 30, 2009	Increases	Decreases	September 30, 2010
<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	1,029,356	4,817	-	1,034,173
<hr/>				
Total capital assets, being depreciated	3,832,054	4,817	-	3,836,871
<hr/>				
Less accumulated depreciation				
Water system	792,264	21,691	-	813,955
Sewer system	555,709	44,724	-	600,433
Machinery and equipment	792,168	24,952	-	817,120
<hr/>				
Total accumulated depreciation	2,140,141	91,367	-	2,231,508
<hr/>				
Total capital assets, being depreciated (net of accumulated depreciation)	1,691,913	(86,550)	-	1,605,363
<hr/>				
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,141,545	\$ (86,550)	\$ -	\$ 2,054,995

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	\$ 27,088
Public safety	65,744
Sanitation	9,262
Highways and streets	63,059
Maintenance	4,455
Culture and recreation	33,586
<hr/>	
Total depreciation expense – governmental activities	\$ 203,194

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

Business-type activities	
Water system	\$ 64,729
Sewer system	26,638
<hr/>	
Total depreciation expense – business-type activities	\$ 91,367

NOTE 8 – LONG TERM DEBT – GOVERNMENTAL ACTIVITIES

In December 2008, the City borrowed \$92,553 to finance a trash truck. Payments of \$20,448 including interest at 5.24% are due annually.

Total notes payable at September 30, 2010	\$ 55,435
Less: current portion	17,543
<hr/>	
Notes payable – long-term at September 30, 2010	\$ 37,892

Debt service requirements to maturity on notes payable at September 30, 2010 are as follows:

Year ending September 30,	Principal	Interest	Total
2011	\$ 17,543	\$ 2,905	\$ 20,448
2012	18,462	1,986	20,448
2013	19,430	1,018	20,448
<hr/>			
Total	\$ 55,435	\$ 5,909	\$ 61,344

Notes to Basic Financial Statements

NOTE 9 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2010:

	Total Accrued Compensated Absences
General fund	\$ 69,124
Utility fund	23,107
Total	\$ 92,231

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Accrued other postemployment benefits consist of the following at September 30, 2010:

	Total Other Postemployment Benefits
General fund	\$ 59,489
Utility fund	21,461
Total	\$ 80,950

NOTE 11 – 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, 2010:

General Fund

Reserved for prepaid expenses – 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.

Notes to Basic Financial Statements

NOTE 11 – FUND BALANCE RESERVATIONS (CONTINUED)**Summary**

Specific reservations of fund balances are summarized below as of September 30, 2010:

General Fund

Reserved for prepaids	\$	80,019
Reserved for inventory		40,631
<hr/>		
Total	\$	120,650
<hr/>		

Proprietary Fund

Restricted for bearer bond plus interest	\$	48,551
Restricted for repairs and replacements		294,722
<hr/>		
Total	\$	343,273
<hr/>		

There are no restrictions on net assets by enabling legislation.

NOTE 12 – INVESTMENT IN JOINT VENTURE

The City of Parker, Florida, in alliance with Bay County, the Cities of Springfield and Callaway, and the former 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 in July 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. 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, 2010, the City's portion of the equity in the MPAWTF was \$264,926. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Notes to Basic Financial Statements

NOTE 12 – INVESTMENT IN JOINT VENTURE (CONTINUED)

Condensed financial statements from the MPAWTF are as follows:

Statement of Net Assets
September 30, 2010

Assets	
Current assets	\$ 2,999,693
Noncurrent assets	34,876,429
<hr/>	
Total assets	37,876,122
<hr/>	
Liabilities	
Current liabilities	2,718,427
Noncurrent liabilities	24,707,136
<hr/>	
Total liabilities	27,425,563
<hr/>	
Net assets	\$ 10,450,559

Statement of Activities
Year Ended September 30, 2010

Operating revenues	\$ 6,460,709
Operating expenses	(4,110,681)
<hr/>	
Operating income	2,350,028
Nonoperating revenues (expenses), net	(1,083,104)
<hr/>	
Net income before distributions to owners	1,266,924
Distributions to owners	(393,009)
<hr/>	
Change in net assets	873,915
<hr/>	
Net assets, beginning of year	9,576,644
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Net assets, end of year	\$ 10,450,559

For the year ended September 30, 2010 the City of Parker had a net gain from the joint venture in the amount of \$225,026. As of September 30, 2010 the joint venture owes the City \$47,247 for distributions not yet paid to owners and the City owes the joint venture \$263,323 for transferred collection system and segregation line. This has been recorded in the enterprise fund as net due to joint venture \$216,076.

Notes to Basic Financial Statements

NOTE 13 – 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 years ended September 30, 2010, 2009 and 2008 was \$1,188,281, \$1,178,023, and \$1,127,376 respectively.

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, 2009 Through June 30, 2010	July 1, 2010 Through September 30, 2010
Regular employees	9.85%	10.77%
Special risk employees	20.92%	23.25%

The City's contributions to the Plan for the years ended September 30, 2010, 2009 and 2008 were \$171,185, \$174,313 and \$166,701 respectively, which equal the required contributions. For the year ended September 30, 2010 retirement contributions represent 14% of City's total covered payroll.

Three Year Trend Information

Year Ended September 30,	Annual Pension Cost (APC)	Percent of APC Contribution	Net Pension Obligation
2008	\$ 166,701	100%	-
2009	174,313	100%	-
2010	171,185	100%	-

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective for the year ended September 30, 2010, the City has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for Retiree's Health Insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$615,206 at transition, amortized

Notes to Basic Financial Statements

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The City has established the Retiree’s Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has 53 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Parker, Florida’s Council Members. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

The contribution rates effective for eligible City plan members during the year are shown below:

Coverage	Annual Cost
Retiree	\$ 524
Retiree and Spouse	1,051
Retiree & Children	962
Retiree and Family	1,621

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$0 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Notes to Basic Financial Statements

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)Annual OPEB Cost and Net OPEB Obligation

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

<u>Description</u>	
Normal cost (service cost for one year)	\$ 53,083
Amortization of unfunded actuarial accrued liability	27,867
Annual required contribution	<u>80,950</u>
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>80,950</u>
Contribution toward the OPEB cost	-
Increase in net OPEB obligation	80,950
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 80,950</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010 was as follows:

<u>Year ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$ 80,950	0%	\$ 80,950

Funding Status and Funding Progress

The funding status and funding progress information can be found in the schedule of funding progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2010. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer

Notes to Basic Financial Statements

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4% discount rate. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate begins with an initial rate for 2009-10 fiscal year of 5%. It fluctuates over the years reaching a future year's rate of 6.5%. The assumed retirement age used is 60, and the average salary increase estimate used is 2%. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2010 is 29 years.

NOTE 15 – 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 the past three fiscal years.

Required Supplementary Information

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	\$ 0	\$ 615,206	\$ 615,206	0.0%	\$ 1,180,729	52%

Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$ 0	\$ 80,950	0%

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, 2010, and have issued our report thereon dated June 16, 2011.

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 June 16, 2011, 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 governs 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 auditor's reports:

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 financial audit report. Corrective actions have been taken to the extent considered necessary, other than for those comments repeated in the 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*.

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 provisions of 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control

that are not significant deficiencies. 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 this management letter, unless disclosed in the notes to the financial statements. The City of Parker, Florida, is incorporated under the provisions of the State of Florida (Laws of Florida, 1951, CH. 27685, Sec. 5). 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 May 25, 2004 by City Resolution 2004-05-350 pursuant to Florida Statute 163.387.

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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)7.c., and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 management, the City Council, 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.

Carri Riggs & Ingram, L.L.C.

June 16, 2011

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 (City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

10-01 (Prior year 09-01) Significant adjustments to the financial records were necessary in order for the financial statements to conform to U.S. generally accepted accounting principles.

Management's response - Management has considered the above deficiency in the City's internal control and believes the costs required to correct it would outweigh the benefits derived from implementing corrective action.

10-02 (Prior year 09-02) Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a deficiency in internal control.

Management's response - Management has considered the above deficiency in the City's internal control and believes the costs required to correct it would outweigh the benefits derived from implementing corrective action.

10-03 (Prior year 09-03) Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate to reduce the risk of fraud or misappropriation of assets to an acceptable level.

Management's response - Management has considered the above deficiency in the City's internal control and believes the costs required to correct it would outweigh the benefits derived from implementing corrective action. As an alternative, additional management oversight will be applied to mitigate this risk.

10-04 (Prior year 09-04) The City is not following approved City policies - The City has a purchasing policy approved by the council that is not being followed consistently when purchases are made.

Management's response - Management has considered the above deficiency in the City's internal control and will enforce council's approved purchasing policies.

The City's responses to the findings identified in our audit are included above. We did not audit the City's responses and, accordingly, we express no opinion on them.

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 management, the City Council, and certain grant 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.

June 16, 2011