

City of Parker, Florida

Financial Statements

September 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 19, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 postemployment benefits plan and schedule of employer contributions for the retiree's health insurance other postemployment benefits plan on page 40 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 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 19, 2013

## 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 \$6,262,498 (net assets). Of this amount, \$349,563 is unrestricted net assets for governmental activities and \$1,320,690 is unrestricted net assets for business-type activities, while \$2,096,046 is invested in capital assets for governmental activities and \$2,123,194 is invested in capital assets for business-type activities, both net of related debt.
- Total net assets increased by \$34,122. Of this amount, a decrease of \$104,025 is attributable to governmental activities and an increase of \$138,147 is attributable to business-type activities.
- As of September 30, 2012, the general fund's unassigned fund balance was \$388,492 or 19 percent of total general fund expenditures.
- Governmental activities revenues increased to \$2,175,646 or 8 percent, while expenses for governmental activities increased 7 percent to \$2,279,671. Business-type activities revenues decreased to \$1,914,268 or 1 percent, while business-type activities expenses decreased 1 percent to \$1,776,121.

### 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, 2012 and 2011. 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,  | 2012                | 2011                | 2012                | 2011                | 2012                | 2011                |
| Current and other assets                                   | \$ 728,570          | \$ 661,359          | \$ 2,309,237        | \$ 2,128,953        | \$ 3,037,807        | \$ 2,790,312        |
| Capital assets   | 2,115,476           | 2,256,953           | 2,123,194           | 2,216,755           | 4,238,670           | 4,473,708           |
| <b>Total assets</b>  | <b>2,844,046</b>    | <b>2,918,312</b>    | <b>4,432,431</b>    | <b>4,345,708</b>    | <b>7,276,477</b>    | <b>7,264,020</b>    |
| Current liabilities  | 117,487             | 135,499             | 301,183             | 377,447             | 418,670             | 512,946             |
| Noncurrent liabilities                                     | 251,265             | 203,494             | 344,044             | 319,204             | 595,309             | 522,698             |
| <b>Total liabilities</b>                                   | <b>368,752</b>      | <b>338,993</b>      | <b>645,227</b>      | <b>696,651</b>      | <b>1,013,979</b>    | <b>1,035,644</b>    |
| Net assets invested in capital assets, net of related debt | 2,096,046           | 2,219,061           | 2,123,194           | 2,216,755           | 4,219,240           | 4,435,816           |
| Net assets restricted                                      | 29,685              | 44,185              | 343,320             | 343,300             | 373,005             | 387,485             |
| Net assets – unrestricted                                  | 349,563             | 316,073             | 1,320,690           | 1,089,002           | 1,670,253           | 1,405,075           |
| <b>Total net assets</b>                                    | <b>\$ 2,475,294</b> | <b>\$ 2,579,319</b> | <b>\$ 3,787,204</b> | <b>\$ 3,649,057</b> | <b>\$ 6,262,498</b> | <b>\$ 6,228,376</b> |

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net assets (67 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* (\$1,670,253), representing 27 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, 2012 and 2011.

## Changes in Net Assets

| Year Ended                     | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                | 2012                    | 2011                | 2012                     | 2011                | 2012                | 2011                |
| <i>September 30,</i>           |                         |                     |                          |                     |                     |                     |
| <b>Program revenues</b>        |                         |                     |                          |                     |                     |                     |
| Charges for services           | \$ 426,892              | \$ 417,166          | \$ 1,990,685             | \$ 1,921,106        | \$ 2,417,577        | \$ 2,338,272        |
| Operating grants/contributions | 8,401                   | 7,662               | -                        | -                   | 8,401               | 7,662               |
| Capital grants/contributions   | 16,251                  | 34,216              | -                        | -                   | 16,251              | 34,216              |
| <b>General revenues</b>        |                         |                     |                          |                     |                     |                     |
| Taxes and fees                 | 1,228,496               | 1,289,553           | -                        | -                   | 1,228,496           | 1,289,553           |
| Intergovernmental              | 181,156                 | 180,588             | -                        | -                   | 181,156             | 180,588             |
| Interest                       | 505                     | 401                 | 2,984                    | 4,713               | 3,489               | 5,114               |
| Transfers                      | 274,000                 | 62,998              | (274,000)                | (62,998)            | -                   | -                   |
| Other                          | 39,945                  | 15,686              | 194,599                  | 76,707              | 234,544             | 92,393              |
| <b>Total revenues</b>          | <b>2,175,646</b>        | <b>2,008,270</b>    | <b>1,914,268</b>         | <b>1,939,528</b>    | <b>4,089,914</b>    | <b>3,947,798</b>    |
| <b>Expenses</b>                |                         |                     |                          |                     |                     |                     |
| General government             | 367,107                 | 426,981             | -                        | -                   | 367,107             | 426,981             |
| Public safety                  | 1,030,796               | 1,008,711           | -                        | -                   | 1,030,796           | 1,008,711           |
| Code enforcement               | 33,598                  | 310                 | -                        | -                   | 33,598              | 310                 |
| Sanitation                     | 249,050                 | 238,974             | -                        | -                   | 249,050             | 238,974             |
| Highways and streets           | 474,567                 | 321,149             | -                        | -                   | 474,567             | 321,149             |
| Maintenance                    | 35,103                  | 33,322              | -                        | -                   | 35,103              | 33,322              |
| Parks and recreation           | 89,450                  | 97,937              | -                        | -                   | 89,450              | 97,937              |
| Utilities                      | -                       | -                   | 1,776,121                | 1,799,124           | 1,776,121           | 1,799,124           |
| <b>Total expenses</b>          | <b>2,279,671</b>        | <b>2,127,384</b>    | <b>1,776,121</b>         | <b>1,799,124</b>    | <b>4,055,792</b>    | <b>3,926,508</b>    |
| <b>Change in net assets</b>    | <b>(104,025)</b>        | <b>(119,114)</b>    | <b>138,147</b>           | <b>140,404</b>      | <b>34,122</b>       | <b>21,290</b>       |
| <b>Beginning net assets</b>    | <b>2,579,319</b>        | <b>2,698,433</b>    | <b>3,649,057</b>         | <b>3,508,653</b>    | <b>6,228,376</b>    | <b>6,207,086</b>    |
| <b>Ending net assets</b>       | <b>\$ 2,475,294</b>     | <b>\$ 2,579,319</b> | <b>\$ 3,787,204</b>      | <b>\$ 3,649,057</b> | <b>\$ 6,262,498</b> | <b>\$ 6,228,376</b> |

Governmental activities expenses exceeded revenues by \$104,025, while business-type activities revenues exceeded expenses by \$138,147. Total revenues increased \$142,116 from the previous year.

Fifty-six percent (56%) 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 (16%), public safety (45%), highways and streets (21%), and sanitation (11%) departments.

Charges for services provided \$1,990,685 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, 2012, total assets were \$714,413 and total liabilities were \$83,763. At the end of fiscal year 2012, unassigned fund balance of the general fund was \$388,492 while total fund balance was \$630,650.

The general fund budget was not amended during the year. Actual revenues were less than anticipated by \$96,427. Actual expenditures were less than budgeted expenditures by \$33,940.

### 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, which is reported as a major fund, is called the *Utility Fund* by the City.

Unrestricted net assets of the proprietary fund at the end of the year were \$1,320,690.

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, 2012, was \$4,238,670 (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<br>Activities |              | Business-type<br>Activities |              | Total        |              |
|-----------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
|                             | 2012                       | 2011         | 2012                        | 2011         | 2012         | 2011         |
| Land                        | \$ 500,524                 | \$ 500,524   | \$ 449,632                  | \$ 449,632   | \$ 950,156   | \$ 950,156   |
| Construction in<br>Progress | -                          | -            | 105,736                     | 238,505      | 105,736      | 238,505      |
| Buildings                   | 52,665                     | 70,582       | -                           | -            | 52,665       | 70,582       |
| Improvements                | 1,281,506                  | 1,357,083    | 1,382,939                   | 1,321,895    | 2,664,445    | 2,678,978    |
| Machinery and<br>equipment  | 280,781                    | 328,764      | 184,887                     | 206,723      | 465,668      | 535,487      |
| Total                       | \$ 2,115,476               | \$ 2,256,953 | \$ 2,123,194                | \$ 2,216,755 | \$ 4,238,670 | \$ 4,473,708 |

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: Richard Musgrave, Mayor.

City of Parker, Florida  
Statement of Net Assets  
September 30, 2012

**Primary Government**

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b> |
|--|------------------------------------|-------------------------------------|--------------|
| <b>Assets</b>                                    |                                    |                                     |              |
| Current assets                                   |                                    |                                     |              |
| Cash and cash equivalents                        | \$ 353,634                         | \$ 1,044,123                        | \$ 1,397,757 |
| Accounts receivable, net                         | 41,027                             | 134,007                             | 175,034      |
| Accrued revenue                                  | 194,787                            | -                                   | 194,787      |
| Internal balances                                | 6,115                              | (6,115)                             | -            |
| Inventory  | 39,884                             | -                                   | 39,884       |
| Prepays  | 77,595                             | 59,759                              | 137,354      |
| Investment in joint venture                      | -                                  | 475,377                             | 475,377      |
| Restricted assets                                |                                    |                                     |              |
| Cash and cash equivalents                        | 15,528                             | 602,086                             | 617,614      |
| Total current assets                             | 728,570                            | 2,309,237                           | 3,037,807    |
| Noncurrent assets                                |                                    |                                     |              |
| Capital assets                                   |                                    |                                     |              |
| Nondepreciable                                   | 500,524                            | 555,368                             | 1,055,892    |
| Depreciable, net                                 | 1,614,952                          | 1,567,826                           | 3,182,778    |
| Total noncurrent assets                          | 2,115,476                          | 2,123,194                           | 4,238,670    |
| Total assets                                     | 2,844,046                          | 4,432,431                           | 7,276,477    |
| <b>Liabilities</b>                               |                                    |                                     |              |
| Current liabilities                              |                                    |                                     |              |
| Accounts payable                                 | 22,784                             | 90,318                              | 113,102      |
| Accrued expenses                                 | 33,543                             | 4,423                               | 37,966       |
| Accrued compensated absences                     | 14,294                             | 3,974                               | 18,268       |
| Notes payable                                    | 19,430                             | -                                   | 19,430       |
| Deferred revenue                                 | 27,436                             | -                                   | 27,436       |
| Due to joint venture                             | -                                  | 202,468                             | 202,468      |
| Total current liabilities                        | 117,487                            | 301,183                             | 418,670      |
| Noncurrent liabilities                           |                                    |                                     |              |
| Accrued compensated absences                     | 57,175                             | 15,897                              | 73,072       |
| Customer deposits                                | -                                  | 263,766                             | 263,766      |
| Other postemployment benefits                    | 194,090                            | 64,381                              | 258,471      |
| Total noncurrent liabilities                     | 251,265                            | 344,044                             | 595,309      |
| Total liabilities                                | 368,752                            | 645,227                             | 1,013,979    |
| <b>Net assets</b>                                |                                    |                                     |              |
| Invested in capital assets (net of related debt) | 2,096,046                          | 2,123,194                           | 4,219,240    |
| Restricted                                       |                                    |                                     |              |
| Repair and replacement                           | -                                  | 294,722                             | 294,722      |
| Revenue bond current debt service                | -                                  | 48,598                              | 48,598       |
| Community redevelopment agency                   | 14,157                             | -                                   | 14,157       |
| Law enforcement                                  | 15,528                             | -                                   | 15,528       |
| Unrestricted                                     | 349,563                            | 1,320,690                           | 1,670,253    |
| Total net assets                                 | \$ 2,475,294                       | \$ 3,787,204                        | \$ 6,262,498 |

See accompanying notes

City of Parker, Florida  
Statement of Activities  
Year Ended September 30, 2012

|                                 | Program Revenues    |                         |  |  | Net (Expenses) Revenues and<br>Changes in Net Assets |                             |                    |
|---------------------------------|---------------------|-------------------------|--|--|--|-----------------------------|--------------------|
|                                 | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                    |
|                                 |                     |                         |  |  | Governmental<br>Activities                           | Business-type<br>Activities | Total              |
| <b>Functions/Programs</b>       |                     |                         |  |  |  |                             |                    |
| <b>Primary Government</b>       |                     |                         |  |  |  |                             |                    |
| Governmental activities         |                     |                         |  |  |  |                             |                    |
| General government              | \$ 367,107          | \$ 35,634               | \$ 3,843                                 | \$ -                                   | \$ (327,630)   | \$ -                        | \$ (327,630)       |
| Public safety                   | 1,030,796           | 4,424                   | 4,558                                    | 16,251                                 | (1,005,563)  | -                           | (1,005,563)        |
| Code enforcement                | 33,598              | -                       | -  | -                                      | (33,598)   | -                           | (33,598)           |
| Sanitation                      | 249,050             | 369,395                 | -  | -                                      | 120,345  | -                           | 120,345            |
| Highways and streets            | 474,567             | 17,439                  | -  | -                                      | (457,128)  | -                           | (457,128)          |
| Maintenance                     | 35,103              | -                       | -  | -                                      | (35,103)   | -                           | (35,103)           |
| Parks and recreation            | 89,450              | -                       | -  | -                                      | (89,450)   | -                           | (89,450)           |
| Total governmental activities   | 2,279,671           | 426,892                 | 8,401                                    | 16,251                                 | (1,828,127)  | -                           | (1,828,127)        |
| Business-type activities        |                     |                         |  |  |  |                             |                    |
| Utility                         | 1,776,121           | 1,990,685               | -  | -                                      | -  | 214,564                     | 214,564            |
| Total business-type activities  | 1,776,121           | 1,990,685               | -  | -                                      | -  | 214,564                     | 214,564            |
| <b>Total primary government</b> | <b>\$ 4,055,792</b> | <b>\$ 2,417,577</b>     | <b>\$ 8,401</b>                          | <b>\$ 16,251</b>                       | <b>(1,828,127)</b>                                   | <b>214,564</b>              | <b>(1,613,563)</b> |
| General revenues                |                     |                         |  |  |  |                             |                    |
| Taxes                           |                     |                         |  |  |  |                             |                    |
|                                 |                     |                         |  |  | 360,673  | -                           | 360,673            |
|                                 |                     |                         |  |  | 25,762   | -                           | 25,762             |
|                                 |                     |                         |  |  | 77,667   | -                           | 77,667             |
|                                 |                     |                         |  |  | 144,953  | -                           | 144,953            |
|                                 |                     |                         |  |  | 314,431  | -                           | 314,431            |
|                                 |                     |                         |  |  | 298,378  | -                           | 298,378            |
|                                 |                     |                         |  |  | 6,632  | -                           | 6,632              |
|                                 |                     |                         |  |  | 181,156  | -                           | 181,156            |
|                                 |                     |                         |  |  | 1,409,652  | -                           | 1,409,652          |
|                                 |                     |                         |  |  | 505  | 2,984                       | 3,489              |
|                                 |                     |                         |  |  | 39,945   | 194,599                     | 234,544            |
|                                 |                     |                         |  |  | 274,000  | (274,000)                   | -                  |
|                                 |                     |                         |  |  | 1,724,102  | (76,417)                    | 1,647,685          |
|                                 |                     |                         |  |  |  | (104,025)                   | 138,147            |
|                                 |                     |                         |  |  | 2,579,319  | 3,649,057                   | 6,228,376          |
|                                 |                     |                         |  |  | \$ 2,475,294   | \$ 3,787,204                | \$ 6,262,498       |

See accompanying notes

City of Parker, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2012

|   | General<br>Fund   | Community<br>Redevelopment<br>Agency | Total               |
|---|-------------------|--------------------------------------|---------------------|
| <b>Assets</b>   |                   |                                      |                     |
| Cash and cash equivalents   | \$ 352,384        | \$ 16,778                            | \$ 369,162          |
| Accrued revenue   | 194,787           | -                                    | 194,787             |
| Accounts receivable, net  | 41,027            | -                                    | 41,027              |
| Due from other funds  | 8,736             | -                                    | 8,736               |
| Inventory   | 39,884            | -                                    | 39,884              |
| Prepays   | 77,595            | -                                    | 77,595              |
| <b>Total assets</b>   | <b>\$ 714,413</b> | <b>\$ 16,778</b>                     | <b>731,191</b>      |
| <b>Liabilities and fund balance</b>   |                   |                                      |                     |
| <b>Liabilities</b>  |                   |                                      |                     |
| Accounts payable  | \$ 22,784         | \$ -                                 | 22,784              |
| Accrued expenses  | 33,543            | -                                    | 33,543              |
| Due to other funds  | -                 | 2,621                                | 2,621               |
| Deferred revenue  | 27,436            | -                                    | 27,436              |
| <b>Total liabilities</b>  | <b>83,763</b>     | <b>2,621</b>                         | <b>86,384</b>       |
| <b>Fund balance</b>   |                   |                                      |                     |
| <b>Nonspendable</b>   |                   |                                      |                     |
| Prepays   | 77,595            | -                                    | 77,595              |
| Inventory   | 39,884            | -                                    | 39,884              |
| <b>Restricted</b>   |                   |                                      |                     |
| Community redevelopment agency  | -                 | 14,157                               | 14,157              |
| Law enforcement   | 15,528            | -                                    | 15,528              |
| <b>Assigned</b>   |                   |                                      |                     |
| Firefighter building  | 109,151           | -                                    | 109,151             |
| <b>Unassigned</b>   |                   |                                      |                     |
| General fund  | 388,492           | -                                    | 388,492             |
| <b>Total fund balances</b>  | <b>630,650</b>    | <b>14,157</b>                        | <b>644,807</b>      |
| <b>Total liabilities and fund balances</b>  | <b>\$ 714,413</b> | <b>\$ 16,778</b>                     |                     |
| Amounts reported for governmental activities in the statement<br>of net assets are different because                        |                   |                                      |                     |
| Capital assets used in governmental activities are not financial<br>resources and therefore, are not reported in the funds. |                   |                                      | 2,115,476           |
| Long-term liabilities are not due and payable in the current period<br>and therefore, are not reported in the funds.        |                   |                                      | (284,989)           |
| <b>Net assets of governmental activities</b>  |                   |                                      | <b>\$ 2,475,294</b> |

City of Parker, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2012

|   | General<br>Fund   | Community<br>Redevelopment<br>Agency | Total             |
|---|-------------------|--------------------------------------|-------------------|
| <b>Revenues</b>   |                   |                                      |                   |
| Taxes   |                   |                                      |                   |
| Utility tax   | \$ 360,673        | \$ -                                 | \$ 360,673        |
| Business tax  | 25,762            | -                                    | 25,762            |
| Communications tax  | 144,953           | -                                    | 144,953           |
| Local option gas tax  | 77,667            | -                                    | 77,667            |
| Intergovernmental   | 517,470           | -                                    | 517,470           |
| Licenses and permits  | 319,599           | -                                    | 319,599           |
| Charges for services  | 397,151           | -                                    | 397,151           |
| Fines and forfeitures   | 24,169            | -                                    | 24,169            |
| Rents   | 11,640            | -                                    | 11,640            |
| Interest  | 482               | 23                                   | 505               |
| Miscellaneous   | 16,714            | -                                    | 16,714            |
| <b>Total revenues</b>   | <b>1,896,280</b>  | <b>23</b>                            | <b>1,896,303</b>  |
| <b>Expenditures</b>   |                   |                                      |                   |
| Current   |                   |                                      |                   |
| General government  | 316,893           | 20,538                               | 337,431           |
| Public safety   | 941,171           | -                                    | 941,171           |
| Code enforcement  | 33,265            | -                                    | 33,265            |
| Sanitation  | 231,695           | -                                    | 231,695           |
| Highways and streets  | 409,709           | -                                    | 409,709           |
| Maintenance   | 29,687            | -                                    | 29,687            |
| Parks and recreation  | 65,394            | -                                    | 65,394            |
| Capital outlay  |                   |                                      |                   |
| Public safety   | 14,305            | -                                    | 14,305            |
| Parks and recreation  | 5,200             | -                                    | 5,200             |
| Debt service  | 20,448            | -                                    | 20,448            |
| <b>Total expenditures</b>                                     | <b>2,067,767</b>  | <b>20,538</b>                        | <b>2,088,305</b>  |
| <b>Excess (deficit) of revenues over (under) expenditures</b> | <b>(171,487)</b>  | <b>(20,515)</b>                      | <b>(192,002)</b>  |
| <b>Other financing sources (uses)</b>                         |                   |                                      |                   |
| Contributions   | 3,843             | -                                    | 3,843             |
| Transfers   | 274,000           | -                                    | 274,000           |
| <b>Total other financing sources (uses)</b>                   | <b>277,843</b>    | <b>-</b>                             | <b>277,843</b>    |
| <b>Net change in fund balances</b>                            | <b>106,356</b>    | <b>(20,515)</b>                      | <b>85,841</b>     |
| <b>Fund balances - beginning</b>                              | <b>524,294</b>    | <b>34,672</b>                        | <b>558,966</b>    |
| <b>Fund balances - ending</b>                                 | <b>\$ 630,650</b> | <b>\$ 14,157</b>                     | <b>\$ 644,807</b> |

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, 2012

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)  | \$        | 85,841           |
| 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 depreciation exceeded capital outlays in the current period. |           | (142,977)        |
| The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to increase net assets.  |           | 1,500            |
| Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  |           | 20,212           |
| 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.  |           | (68,601)         |
| <hr/>   |           |                  |
| <u>Change in net assets of governmental activities (page 9)</u>   | <u>\$</u> | <u>(104,025)</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, 2012

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>Revenues</b>  |                   |                   |                   |   |
| Taxes  |                   |                   |                   |   |
| Utility tax  | \$ 405,750        | \$ 405,750        | \$ 360,673        | \$ (45,077)   |
| Business tax   | -                 | -                 | 25,762            | 25,762  |
| Communications tax   | -                 | -                 | 144,953           | 144,953   |
| Local option gas tax   | 107,278           | 107,278           | 77,667            | (29,611)  |
| Intergovernmental  | 341,800           | 341,800           | 517,470           | 175,670   |
| Licenses and permits   | 360,000           | 360,000           | 319,599           | (40,401)  |
| Charges for services   | 777,879           | 777,879           | 397,151           | (380,728)   |
| Fines and forfeitures  | -                 | -                 | 24,169            | 24,169  |
| Rents  | -                 | -                 | 11,640            | 11,640  |
| Interest   | -                 | -                 | 482               | 482   |
| Miscellaneous  | -                 | -                 | 16,714            | 16,714  |
| <b>Total revenues</b>  | <b>1,992,707</b>  | <b>1,992,707</b>  | <b>1,896,280</b>  | <b>(96,427)</b>   |
| <b>Expenditures</b>  |                   |                   |                   |   |
| Current  |                   |                   |                   |   |
| General government   | 460,457           | 460,457           | 316,893           | 143,564   |
| Public safety  | 943,776           | 943,776           | 955,476           | (11,700)  |
| Code enforcement   | -                 | -                 | 33,265            | (33,265)  |
| Sanitation   | 306,077           | 306,077           | 231,695           | 74,382  |
| Highways and streets   | 274,005           | 274,005           | 409,709           | (135,704)   |
| Maintenance  | 32,784            | 32,784            | 29,687            | 3,097   |
| Parks and recreation   | 84,608            | 84,608            | 70,594            | 14,014  |
| Debt service   | -                 | -                 | 20,448            | (20,448)  |
| <b>Total current</b>   | <b>2,101,707</b>  | <b>2,101,707</b>  | <b>2,067,767</b>  | <b>33,940</b>   |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b> |                   |                   |                   |   |
|  | (109,000)         | (109,000)         | (171,487)         | (62,487)  |
| <b>Other financing sources (uses)</b>                                |                   |                   |                   |   |
| Contributions  | -                 | -                 | 3,843             | 3,843   |
| Transfers  | 109,000           | 109,000           | 274,000           | 165,000   |
| <b>Total other financing sources (uses)</b>                          | <b>109,000</b>    | <b>109,000</b>    | <b>277,843</b>    | <b>168,843</b>  |
| <b>Net change in fund balance</b>                                    | <b>-</b>          | <b>-</b>          | <b>106,356</b>    | <b>106,356</b>  |
| <b>Fund balance - beginning</b>                                      | <b>524,294</b>    | <b>524,294</b>    | <b>524,294</b>    | <b>-</b>  |
| <b>Fund balance - ending</b>   | <b>\$ 524,294</b> | <b>\$ 524,294</b> | <b>\$ 630,650</b> | <b>\$ 106,356</b>                                       |

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, 2012

|  | <b>Budgeted Amounts</b> |              | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|--------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b> |                           |   |
| <b>Revenues</b>  |                         |              |                           |   |
| Interest   | \$ 50                   | \$ -         | \$ 23                     | \$ 23   |
| Total revenues   | 50                      | -            | 23                        | 23  |
| <b>Expenditures</b>  |                         |              |                           |   |
| Current  |                         |              |                           |   |
| General government   | 22,050                  | 22,000       | 20,538                    | 1,462   |
| Total current  | 22,050                  | 22,000       | 20,538                    | 1,462   |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b> | (22,000)                | (22,000)     | (20,515)                  | (1,439)   |
| <b>Net change in fund balance</b>                                    | (22,000)                | (22,000)     | (20,515)                  | 1,485   |
| <b>Fund balance - beginning</b>                                      | 34,672                  | 34,672       | 34,672                    | -   |
| <b>Fund balance - ending</b>   | \$ 12,672               | \$ 12,672    | \$ 14,157                 | \$ 1,485  |

See accompanying notes

City of Parker, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2012

| <b>Business-type Activities/Enterprise Fund</b>  | <b>Utility Fund</b> |
|--|---------------------|
| <b>Assets</b>                                    |                     |
| Current assets                                   |                     |
| Cash and cash equivalents                        | \$ 1,044,123        |
| Accounts receivable, net                         | 134,007             |
| Prepaid expenses                                 | 59,759              |
| Investment in joint venture                      | 475,377             |
| Restricted assets - cash and cash equivalents    |                     |
| Customer deposits                                | 258,766             |
| Repair and replacement                           | 294,722             |
| Revenue bond current debt service                | 48,598              |
| Total current assets                             | 2,315,352           |
| Noncurrent assets                                |                     |
| Capital assets                                   |                     |
| Property, plant and equipment                    | 4,540,317           |
| Less accumulated depreciation                    | (2,417,123)         |
| Total noncurrent assets                          | 2,123,194           |
| Total assets                                     | 4,438,546           |
| <b>Liabilities</b>                               |                     |
| Current liabilities                              |                     |
| Accounts payable                                 | 90,318              |
| Accrued expenses                                 | 4,423               |
| Accrued compensated absences                     | 3,974               |
| Due to other funds                               | 6,115               |
| Due to joint venture                             | 202,468             |
| Total current liabilities                        | 307,298             |
| Noncurrent liabilities                           |                     |
| Accrued compensated absences                     | 15,897              |
| Customer deposits                                | 263,766             |
| Other postemployment benefits                    | 64,381              |
| Total noncurrent liabilities                     | 344,044             |
| Total liabilities                                | 651,342             |
| <b>Net assets</b>                                |                     |
| Invested in capital assets (net of related debt) | 2,123,194           |
| Restricted                                       |                     |
| Repair and replacement                           | 294,722             |
| Revenue bond current debt service                | 48,598              |
| Unrestricted                                     | 1,320,690           |
| Total net assets                                 | \$ 3,787,204        |

See accompanying notes

City of Parker, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
Year Ended September 30, 2012

| <b>Business-type Activities/Enterprise Fund</b> | <b>Utility Fund</b> |
|---|---------------------|
| <b>Operating revenues</b>                       |                     |
| Charges for services                            |                     |
| Water and sewer charges                         | \$ 1,913,817        |
| Connection, reset and reactivation fees         | 19,648              |
| Late fees                                       | 43,032              |
| Tap fees  | 2,920               |
| Impact fees                                     | 4,940               |
| Other utility income                            | 6,328               |
| Total operating revenues                        | 1,990,685           |
| <b>Operating expenses</b>                       |                     |
| Current   |                     |
| Personal services                               | 384,679             |
| Communications                                  | 4,740               |
| Contractual services                            | 18,807              |
| Cost of water and sewer                         | 458,160             |
| Debt service charges AWT                        | 480,168             |
| Depreciation                                    | 97,419              |
| Fuel and lubricants                             | 13,316              |
| Insurance                                       | 50,613              |
| Office supplies                                 | 2,060               |
| Operating supplies                              | 4,095               |
| Other current charges                           | 21,129              |
| Postage   | 6,953               |
| Printing and binding                            | 1,637               |
| Professional services                           | 41,360              |
| Promotional activities                          | 327                 |
| Public utility services                         | 31,405              |
| Rentals   | 4,759               |
| Repairs and maintenance                         | 138,684             |
| Road materials and supplies                     | 275                 |
| Travel and per diem                             | 13,072              |
| Uniforms  | 2,463               |
| Total operating expenses                        | 1,776,121           |
| Net operating income                            | 214,564             |
| <b>Nonoperating revenues (expenses)</b>         |                     |
| Interest income                                 | 2,984               |
| Gain from joint venture                         | 194,599             |
| Transfers                                       | (274,000)           |
| Total nonoperating revenues (expenses)          | (76,417)            |
| <b>Change in net assets</b>                     | 138,147             |
| <b>Total net assets - beginning</b>             | 3,649,057           |
| <b>Total net assets - ending</b>                | \$ 3,787,204        |

See accompanying notes

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund  
Year Ended September 30, 2012

| <b>Business-type Activities/Enterprise Fund</b>           | <b>Utility Fund</b> |
|---|---------------------|
| <b>Operating activities</b>                               |                     |
| Receipts from customers and users                         | \$ 2,001,943        |
| Payments to suppliers                                     | (1,306,347)         |
| Payments to employees                                     | (363,805)           |
| Net cash provided by operating activities                 | 331,791             |
| <b>Capital and related financing activities</b>           |                     |
| Payments to general fund                                  | (267,885)           |
| Purchase of capital assets                                | (3,857)             |
| Net cash used by capital and related financing activities | (271,742)           |
| <b>Investing activities</b>                               |                     |
| Interest received   | 2,984               |
| Net cash provided by investing activities                 | 2,984               |
| <b>Net increase in cash and cash equivalents</b>          | 63,033              |
| <b>Cash and cash equivalents - beginning</b>              | 1,583,176           |
| <b>Cash and cash equivalents - ending</b>                 | \$ 1,646,209        |
| <b>Classified as</b>                                      |                     |
| Current assets - cash and cash equivalents                | \$ 1,044,123        |
| Restricted assets - cash and cash equivalents             | 602,086             |
| <b>Cash and cash equivalents - ending</b>                 | \$ 1,646,209        |

(Continued)

See accompanying notes

City of Parker, Florida  
Statement of Cash Flows  
Proprietary Fund (Continued)  
Year Ended September 30, 2012

| Business-type Activities/Enterprise Fund   | Utility Fund |
|--|--------------|
| <b>Reconciliation of net operating income to net cash provided by operating activities</b> |              |
| Net operating income   | \$ 214,564   |
| Adjustments to reconcile net operating income to net cash provided by operating activities |              |
| Depreciation   | 97,419       |
| (Increase) decrease in assets  |              |
| Accounts receivable, net   | 7,497        |
| Prepaid expenses   | 3,353        |
| Increase (decrease) in liabilities   |              |
| Accounts payable   | (15,429)     |
| Accrued expenses   | (248)        |
| Accrued compensated absences   | (1,026)      |
| Customer deposits  | 3,761        |
| Other postemployment benefits  | 21,900       |
| Total adjustments  | 117,227      |
| Net cash provided by operating activities  | \$ 331,791   |

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 in 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 166, 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 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Notes to Basic Financial Statements

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

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 as nonspendable fund balance, 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)**

***Fund balances***

The City has implemented GASB Statement 54 employing new terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2012 of \$117,479 is from prepaids and inventory which are not in spendable form.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2012 of \$29,685 is restricted by creditors for repayment of debt issued, enabling legislation, and donor restrictions.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. There are no committed funds as of September 30, 2012.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The balance as of September 30, 2012 is \$109,151.

**Unassigned** – This category is the residual classification for the City's fund balances. The balance as of September 30, 2012 is \$388,492.

***Restricted Assets***

Certain assets of the various funds are required by resolutions or 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 externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as 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 has evaluated subsequent events through June 19, 2013 the date in which the financial statements were available to be issued.

## Notes to Basic Financial Statements

**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 \$2,115,476 difference are as follows:

|  |              |
|--|--------------|
| Cost of capital assets   | \$ 5,483,183 |
| Less: accumulated depreciation   | (3,367,707)  |
| <hr/>  |              |
| Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i> | \$ 2,115,476 |

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 \$284,989 difference are as follows:

|  |            |
|--|------------|
| Compensated absences   | \$ 71,469  |
| Other postemployment benefits  | 194,090    |
| Notes payable  | 19,430     |
| <hr/>  |            |
| Net adjustment to decrease <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i> | \$ 284,989 |

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a 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   | \$ 19,505    |
| Depreciation expense   | (162,482)    |
| <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> | \$ (142,977) |

Another element of the reconciliation states that "the net effect of miscellaneous noncash transactions involving capital assets is to increase net assets." The details of this \$1,500 difference are as follows:

|  |          |
|--|----------|
| Donated assets   | \$ 1,500 |
| <hr/>  |          |
| Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> | \$ 1,500 |

Notes to Basic Financial Statements

**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 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.

***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.

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.

## Notes to Basic Financial Statements

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

As all time deposits held at year end were considered cash and cash equivalents for financial statement purposes, the City had no investments at September 30, 2012.

***Interest Rate Risks***

At September 30, 2012, the City did not hold any investments that were considered to be an interest rate risk.

***Credit Risks***

At September 30, 2012, the City did not hold any investments that were considered to be a credit risk.

***Custodial Risks***

At September 30, 2012, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

As September 30, 2012, the City did not hold any investments that were considered to be a concentration of credit risk.

**NOTE 5 – ACCOUNTS RECEIVABLE**

At September 30, 2012, accounts receivable in the governmental funds is summarized as follows:

|                                       |           |
|---------------------------------------|-----------|
| Total accounts receivable             | \$ 50,294 |
| Less: allowance for doubtful accounts | (9,267)   |
| <hr/>                                 |           |
| Accounts receivable, net              | \$ 41,027 |

At September 30, 2012, accounts receivable in the proprietary funds is summarized as follows:

|                                       |            |
|---------------------------------------|------------|
| Total accounts receivable             | \$ 196,932 |
| Less: allowance for doubtful accounts | (62,925)   |
| <hr/>                                 |            |
| Accounts receivable, net              | \$ 134,007 |

## Notes to Basic Financial Statements

**NOTE 6 – INTERFUND ACTIVITY**

Interfund balances for the year ended September 30, 2012, consisted of the following:

|                                | <b>Due from other<br/>funds</b> | <b>Due to other<br/>funds</b> |
|--------------------------------|---------------------------------|-------------------------------|
| General fund                   | \$ 2,621                        | \$ -                          |
| Community redevelopment agency | -                               | 2,621                         |
| General fund                   | 6,115                           |                               |
| Utility fund                   | -                               | 6,115                         |
| <b>Total</b>                   | <b>\$ 8,736</b>                 | <b>\$ 8,736</b>               |

The Interfund loans were for the purpose of operating advances.

Interfund transfers for the year ended September 30, 2012, consisted of the following:

|              | <b>Transfers in</b> | <b>Transfers out</b> |
|--------------|---------------------|----------------------|
| General fund | \$ 274,000          | \$ -                 |
| Utility fund | -                   | 274,000              |
| <b>Total</b> | <b>\$ 274,000</b>   | <b>\$ 274,000</b>    |

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

**NOTE 7 – CAPITAL ASSETS**

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

|  | <b>September 30,</b> |                  | <b>September 30,</b> |                  |
|--|----------------------|------------------|----------------------|------------------|
|  | <b>2011</b>          | <b>Increases</b> | <b>Decreases</b>     | <b>2012</b>      |
| Capital assets, not being depreciated              |                      |                  |                      |                  |
| Land   | \$ 500,524           | \$ -             | \$ -                 | \$ 500,524       |
| <b>Total capital assets, not being depreciated</b> | <b>500,524</b>       | <b>-</b>         | <b>-</b>             | <b>500,524</b>   |
| Capital assets, being depreciated                  |                      |                  |                      |                  |
| Buildings and improvements                         | 544,444              | -                | -                    | 544,444          |
| Improvements other than buildings                  | 2,354,428            | 1,500            | -                    | 2,355,928        |
| Machinery and equipment                            | 2,062,782            | 19,505           | -                    | 2,082,287        |
| <b>Total capital assets, being depreciated</b>     | <b>4,961,654</b>     | <b>21,005</b>    | <b>-</b>             | <b>4,982,659</b> |

## Notes to Basic Financial Statements

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

|  | September 30,<br>2011 | Increases          | Decreases   | September 30,<br>2012 |
|--|-----------------------|--------------------|-------------|-----------------------|
| Less accumulated depreciation  |                       |                    |             |                       |
| Buildings and improvements   | \$ 473,862            | \$ 17,917          | \$ -        | \$ 491,779            |
| Improvements other than buildings  | 997,345               | 77,077             | -           | 1,074,422             |
| Machinery and equipment  | 1,734,018             | 67,488             | -           | 1,801,506             |
| <b>Total accumulated depreciation</b>  | <b>3,205,225</b>      | <b>162,482</b>     | <b>-</b>    | <b>3,367,707</b>      |
| <b>Total capital assets, being depreciated (net of accumulated depreciation)</b>       | <b>1,756,429</b>      | <b>(141,477)</b>   | <b>-</b>    | <b>1,614,952</b>      |
| <b>Total governmental activities' capital assets (net of accumulated depreciation)</b> | <b>\$ 2,256,953</b>   | <b>\$(141,477)</b> | <b>\$ -</b> | <b>\$ 2,115,476</b>   |

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2012:

|   |                     |
|---|---------------------|
| Land  | \$ 449,632          |
| Construction in progress  | 105,736             |
| Water system  | 889,271             |
| Sewer system  | 2,046,196           |
| Machinery and equipment   | 1,049,482           |
| <b>Total</b>  | <b>4,540,317</b>    |
| Less: accumulated depreciation  |                     |
| Water system  | 857,336             |
| Sewer system  | 695,192             |
| Machinery and equipment   | 864,595             |
| <b>Total accumulated depreciation</b>   | <b>2,417,123</b>    |
| <b>Total business-type activities' capital assets (net of accumulated depreciation)</b> | <b>\$ 2,123,194</b> |

## Notes to Basic Financial Statements

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

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

|  | September 30,<br>2011 | Increases | Decreases  | September 30,<br>2012 |
|--|-----------------------|-----------|------------|-----------------------|
| Capital assets, not being depreciated  |                       |           |            |                       |
| Land   | \$ 449,632            | \$ -      | \$ -       | \$ 449,632            |
| Construction in progress   | 238,505               | -         | 132,769    | 105,736               |
| Total capital assets, not being depreciated                                      | 688,137               | -         | 132,769    | 555,368               |
| Capital assets, being depreciated  |                       |           |            |                       |
| Water system   | 889,271               | -         | -          | 889,271               |
| Sewer system   | 1,913,427             | 132,769   | -          | 2,046,196             |
| Machinery and equipment  | 1,045,624             | 3,858     | -          | 1,049,482             |
| Total capital assets, being depreciated  | 3,848,322             | 136,627   | -          | 3,984,949             |
| Less accumulated depreciation  |                       |           |            |                       |
| Water system   | 835,646               | 21,691    | -          | 857,337               |
| Sewer system   | 645,157               | 50,034    | -          | 695,191               |
| Machinery and equipment  | 838,901               | 25,694    | -          | 864,595               |
| Total accumulated depreciation   | 2,319,704             | 97,419    | -          | 2,417,123             |
| Total capital assets, being depreciated (net of accumulated depreciation)        | 1,528,618             | 39,208    | -          | 1,567,826             |
| Total business-type activities' capital assets (net of accumulated depreciation) | \$ 2,216,755          | \$ 39,208 | \$ 132,769 | \$ 2,123,194          |

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

|  |            |
|--|------------|
| Governmental activities                              |            |
| General government                                   | \$ 24,754  |
| Public safety  | 45,310     |
| Sanitation   | 9,262      |
| Highways and streets                                 | 57,322     |
| Maintenance  | 3,792      |
| Culture and recreation                               | 22,042     |
| Total depreciation expense – governmental activities | \$ 162,482 |

## Notes to Basic Financial Statements

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

|   |    |        |
|---|----|--------|
| Business-type activities                              |    |        |
| Water system  | \$ | 27,947 |
| Sewer system  |    | 69,472 |
| <hr/>   |    |        |
| Total depreciation expense – business-type activities | \$ | 97,419 |
| <hr/>   |    |        |

**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, 2012       | \$ | 19,430 |
| Less: current portion                           |    | 19,430 |
| <hr/>   |    |        |
| Notes payable – long-term at September 30, 2012 | \$ | -      |
| <hr/>   |    |        |

Debt service requirements to maturity on notes payable at September 30, 2012 are as follows:

| Year ending<br>September 30, | Principal | Interest | Total     |
|------------------------------|-----------|----------|-----------|
| 2013                         | \$ 19,430 | \$ 1,018 | \$ 20,448 |
| Total                        | \$ 19,430 | \$ 1,018 | \$ 20,448 |

**NOTE 9 – ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2012:

|              |   |
|--------------|---|
|              | <b>Total<br/>Accrued<br/>Compensated<br/>Absences</b> |
| <hr/>        |   |
| General fund | \$ 71,469   |
| Utility fund | 19,871  |
| <hr/>        |   |
| Total        | \$ 91,340   |
| <hr/>        |   |

## Notes to Basic Financial Statements

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

Accrued other postemployment benefits consist of the following at September 30, 2012:

|              | <b>Total<br/>Other<br/>Postemployment<br/>Benefits</b> |
|--------------|--|
| General fund | \$ 194,090   |
| Utility fund | 64,381   |
| <b>Total</b> | <b>\$ 258,471</b>                                      |

**NOTE 11 – NET ASSET RESTRICTIONS**

Specific net asset restrictions are summarized below as of September 30, 2012:

***Governmental Funds***

|                                |                  |
|--------------------------------|------------------|
| Community redevelopment agency | \$ 14,157        |
| Law enforcement                | 15,528           |
| <b>Total</b>                   | <b>\$ 29,685</b> |

***Proprietary Fund***

|  |                   |
|--|-------------------|
| Restricted for bearer bond plus interest | \$ 48,598         |
| Restricted for repairs and replacements  | 294,722           |
| <b>Total</b>                             | <b>\$ 343,320</b> |

**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 in 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 1999. The new facility was funded by a combination of conventional borrowing and State Revolving Fund loans.

## Notes to Basic Financial Statements

**NOTE 12 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

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, 2012, the City's portion of the equity in the MPAWTF was \$475,377. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Condensed financial statements from the MPAWTF are as follows:

**Statement of Net Assets  
September 30, 2012**

|                        |                      |
|------------------------|----------------------|
| <b>Assets</b>          |                      |
| Current assets         | \$ 3,778,148         |
| Noncurrent assets      | 32,460,874           |
| <hr/>                  |                      |
| Total assets           | 36,239,022           |
| <hr/>                  |                      |
| <b>Liabilities</b>     |                      |
| Current liabilities    | 2,717,437            |
| Noncurrent liabilities | 20,302,734           |
| <hr/>                  |                      |
| Total liabilities      | 23,020,171           |
| <hr/>                  |                      |
| <b>Net assets</b>      | <b>\$ 13,218,851</b> |

For the year ended September 30, 2012, the City of Parker had a net gain from the joint venture in the amount of \$194,599. As of September 30, 2012, the City owes the joint venture \$230,115 for transferred collection system and segregation line and the joint venture owes the City \$27,647. This has been recorded in the enterprise fund as net due to joint venture \$202,468.

## Notes to Basic Financial Statements

**NOTE 12 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

**Statement of Activities**  
**Year Ended September 30, 2012**

|   |               |
|---|---------------|
| Operating revenues                        | \$ 6,699,242  |
| Operating expenses                        | (4,097,312)   |
| <hr/>                                     |               |
| Operating income                          | 2,601,930     |
| Nonoperating revenues (expenses), net     | (898,404)     |
| <hr/>                                     |               |
| Net income before distributions to owners | 1,703,526     |
| Distributions to owners                   | (361,732)     |
| <hr/>                                     |               |
| Change in net assets                      | 1,341,794     |
| Net assets, beginning of year             | 11,877,057    |
| <hr/>                                     |               |
| Net assets, end of year                   | \$ 13,218,851 |
| <hr/>                                     |               |

**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, 2012, 2011 and 2010 was \$1,088,315, \$1,085,791 and \$1,188,281, 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. The plan was noncontributory for employees through June 30, 2011, but as of July 1, 2011 the employees contribute 3%. The City's contributory rates for the year ended September 30, 2012 were as follows:

Notes to Basic Financial Statements

**NOTE 13 – PENSION PLAN (CONTINUED)**

|                        | October 1, 2011 Through<br>June 30, 2012 | July 1, 2012 Through<br>September 30, 2012 |
|------------------------|--|--|
| Regular employees      | 4.91%                                    | 5.18%                                      |
| Special risk employees | 14.10%                                   | 14.90%                                     |

The City's contributions to the Plan for the years ended September 30, 2012, 2011 and 2010 were \$95,533, \$153,753 and \$171,185 respectively, which equal the required contributions. For the year ended September 30, 2012 retirement contributions represent 9% of City's total covered payroll.

**Three Year Trend Information**

| Year Ended<br>September 30, | Annual<br>Pension<br>Cost (APC) | Percent of<br>APC<br>Contribution | Net<br>Pension<br>Obligation |
|-----------------------------|---------------------------------|-----------------------------------|------------------------------|
| 2010                        | \$ 171,185                      | 100%                              | -                            |
| 2011                        | 153,753                         | 100%                              | -                            |
| 2012                        | 95,533                          | 100%                              | -                            |

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

Plan Description

The City has established the Retiree's Health Insurance Other Postemployment 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 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.

Notes to Basic Financial Statements

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

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:

| <u>Coverage</u>    | <u>Monthly Cost</u> |
|--------------------|---------------------|
| Retiree            | \$ 606              |
| Retiree and Spouse | 1,255               |
| Retiree & Children | 1,140               |
| Retiree and Family | 1,925               |

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.

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)              | \$ 55,206         |
| Amortization of unfunded actuarial accrued liability | 28,576            |
| Annual required contribution                         | 83,782            |
| Interest on net OPEB obligation                      | 6,719             |
| Adjustment to annual required contribution           | -                 |
| Annual OPEB cost (expense)                           | 90,501            |
| Contribution toward the OPEB cost                    | -                 |
| Increase in net OPEB obligation                      | 90,501            |
| Net OPEB obligation, beginning of year               | 167,970           |
| Net OPEB obligation, end of year                     | <u>\$ 258,471</u> |

## Notes to Basic Financial Statements

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

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, 2012, 2011 and 2010 was as follows:

| Year ending<br>September 30, | Annual OPEB<br>Cost | Percentage of OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|------------------------------|---------------------|--|------------------------|
| 2010                         | \$ 80,950           | 0%                                     | \$ 80,950              |
| 2011                         | \$ 87,020           | 0%                                     | \$ 167,970             |
| 2012                         | \$ 90,501           | 0%                                     | \$ 258,471             |

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 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, 2012 is 27 years.

Notes to Basic Financial Statements

**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 Postemployment 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 Postemployment Benefits Plan:**

| Fiscal Year Ended September 30, | Actual Contribution | Annual Required Contribution | Percentage Contributed |
|---------------------------------|---------------------|------------------------------|------------------------|
| 2010                            | \$ 0                | \$ 80,950                    | 0%                     |
| 2011                            | \$ 0                | \$ 87,020                    | 0%                     |
| 2012                            | \$ 0                | \$ 90,501                    | 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, 2012, and have issued our report thereon dated June 19, 2013.

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 Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated June 19, 2013, 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 or schedule:

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*.

- Findings reported the two previous years include 12-01, 12-02 and 12-03.

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, fraud, illegal acts, 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 governmental 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, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(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 same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

June 19, 2013

**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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2013. 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

Management of the City of Parker is responsible for establishing and maintaining effective 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 the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

12-01 (Prior years 11-01 and 10-01) (Initially reported in 2007) 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 - It is not considered practical or economically feasible for the City to

invest in the substantial resources that would be required for us to provide the auditors with accounting records that require no proposed audit adjustments. The additional resources needed would include additional accounting staff, substantial investment in software, continuing education, and research materials that the auditors already possess. The considerable additional investments required to eliminate this finding would not provide any substantial benefit to the City or the users of the financial statements in management's opinion.

12-02 (Prior years 11-02 and 10-02) (Initially reported in 2007) 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 - It is not considered practical or economically feasible for the City to invest in the substantial resources that would be required for us to prepare our own financial statements and note disclosures. The additional resources needed would include additional accounting staff, substantial investment in software, continuing education, and research materials that the auditors already possess. The considerable additional investments required to eliminate these finding would not provide any substantial benefit to the City or the users of the financial statements in management's opinion.

12-03 (Prior years 11-03 and 10-03) (Initially reported in 2009) 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 - Due to the small size of the City's accounting and administrative staff it is sometimes not possible to have perfect segregation of duties in internal controls. During the past year the City has had a turnover in accounting and some administrative personnel and is reevaluating internal controls and segregation of duties. In the meantime, we have implemented additional management oversight including two signatures on all checks and bank statement review by senior staff prior to bookkeeper review in order to reduce the risk of misappropriation of assets.

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, City Council, others within the entity, and federal awarding agencies and pass-through entities 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 19, 2013