

MINUTES
CITY COUNCIL MEETING
FEBRUARY 7, 2017

CALL TO ORDER – Roll Call and Determination of a Quorum

The Parker City Council met in a regular meeting on the above date at Parker City Hall, 5700 E. Parker Road, Parker, Texas, 75002.

Mayor Z Marshall called the meeting to order at 7:00 p.m. Council members Scott Levine, Lee Pettie, Cleburne Raney, Ed Standridge, and Patrick Taylor were present.

Staff Present: City Administrator Jeff Flanigan, Finance/H.R. Manager Johnna Boyd, City Secretary Patti Scott Grey, City Attorney Brandon Shelby, Fire Chief Mike Sheff, Police Chief Richard Brooks, and Developer/Capital Improvement Advisory Committee (CIAC) Member Stephen "Steve" L. Sallman

PLEDGE OF ALLEGIANCE

AMERICAN PLEDGE: Boy Scout Ricky Wille led the pledge.

TEXAS PLEDGE: Hugh Lewis led the pledge.

PUBLIC COMMENTS The City Council invites any person with business before the Council to speak. No formal action may be taken on these items at this meeting. Please keep comments to 3 minutes.

Don Dickson, 4404 Wagonwheel Drive, asked to speak during the Whitestone Estates (Formerly Donihoo Farms) Annexation public hearing.

Lou Zettler, 4202 Donna Lane, spoke about an ongoing traffic problem along Donna Lane, due to development in his area. Mr. Zettler said he conveyed his concerns to Developer Steve Sallman, the Parker Police Department, City Administrator Flanigan, and City Council, regarding 18 wheelers and construction trucks tearing up and speeding down Donna Lane. They discussed working together to encourage traffic to take alternate routes rather than Donna Lane. He spoke once again about his GoPro camera, with radar speed gun, he purchased to photograph and measure the speed of vehicles along Donna Lane. He said he clocked several vehicles speeding and commented drivers seemed indifferent to speed limit signs, unless they realized they were being watched. Mr. Zettler asked that traffic signs be placed in more visible places along Donna Lane; additional stop signs be added to the new development, Whitestone Estates (Formerly Donihoo Farms), entrance and Donna Lane at Windmill Creek Lane; and for additional police presence for traffic enforcement.

CONSENT AGENDA Routine Council business. Consent Agenda is approved by a single majority vote. Items may be removed for open discussion by a request from a Councilmember or member of staff.

1. APPROVAL OF MEETING MINUTES FOR DECEMBER 6, 2016. [SCOTT GREY]

Mayor Marshall noted a change to the December 6, 2016 minutes on page p. 5, as follows:

“22. To advertise, solicit, and/or conduct a business in the park in any manner that ~~with~~ either creates a disturbance to other park guests, or displaces other park guests in the park, or involves more than two representative of the business, or which occurs for more than one hour in any three day period.

MOTION: Councilmember Taylor moved to approve the December 6, 2016 regular meeting minutes as amended. Councilmember Pettie seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

2. APPROVAL OF MEETING MINUTES FOR JANUARY 9, 2017. [SCOTT GREY]

Mayor Marshall noted a change to the January 9, 2017 minutes on page p. 5, as follows:

- ACCEPTANCE OF POLICE AND FIRE DONATIONS FOR RECORD

As required by Resolution No. 2016-520, Mayor Marshall accepted Ralph and Kathryn White's Whites \$200 donation to the Parker Fire and Police Departments. The Mayor, City Council, and staff thanked the Whites for their generous donation.

MOTION: Councilmember Pettie moved to approve the January 9, 2017 special meeting minutes as amended. Councilmember Standridge seconded with Councilmembers Levine, Pettie, Raney, and Standridge voting for the motion; Taylor did not vote due to the fact he was not present at the January 9th meeting. Motion carried 4-0.

INDIVIDUAL CONSIDERATION ITEMS

3. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON ANNUAL AUDIT REPORT. [BOYD]

Finance/H.R. Manager Johnna Boyd introduced Jon Watson, CPA, with BrooksCardiel, PLLC.

Mr. Watson stated his name and firm's address, 1095 Evergreen Circle, Suite 200, The Woodlands, TX 77380, for the record. He said the 2016 Audit for the City of Parker was completed and he reviewed a PowerPoint presentation, covering various highlights such as an overview of the audit process; components of the annual financial report; independent auditor's report; financial highlights; governmental

revenues by category; statement of revenues, expenditures and changes in fund balance; schedule of revenues, expenditures and changes in fund balance (budget & actual); statement of revenues, expenses and changes in net position; schedule of changes in net pension liability and related ratios; and conclusion (other reports and questions. (See Exhibit 1 – The City of Parker Annual Financial Report for Fiscal Year Ended September 30, 2016 and Parker, Texas Audit Presentation, September 30, 2016, dated February 7, 2017.)

Councilmember Standridge commended City Staff and Jon Watson, CPA, with BrooksCardiel, PLLC, for a good job on the audit.

Mayor Pro Tem Levine asked Mr. Watson how many years BrooksCardiel, PLLC, had been preparing the audit. Mr. Watson said four (4) or five (5) years. Mayor Marshall noted for the audience the City of Parker is required to switch auditors at least every five years. He also thanked Jon Watson, CPA, with BrooksCardiel, PLLC and Finance/H.R. Manager Johnna Boyd.

MOTION: Councilmember Taylor moved to accept the annual audit or Annual Financial Report of the City of Parker, Texas, for the year ended September 30, 2016, as presented. Councilmember Raney seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

4. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON PARKER STORAGE FACILITY DEVELOPMENT PLAT. [FLANIGAN] [Tabled – 10182016 & 11152016]

Mayor Marshal asked Collin Meyer if he wanted to address City Council. Mr. Meyer said he did not at this time, unless there were any questions. The Mayor reminded City Council the City Engineer requested additional information on this item and it was his understanding that information had been provided. He also noted City Engineer Birkhoff's letter, dated January 17, 2017 provided in City Council's packet. (See Exhibit 2 – Engineer Birkhoff's letter, dated January 17, 2017.)

City Administrator Flanigan gave City Council a brief update, stating Parker Storage Facility applied for a development plat, since the property was in the Extraterritorial jurisdiction (**ETJ**). The plat went through the Planning and Zoning (P&Z) Commission with several reeditions of the plans. The latest concerns were some floodplain and drainage issues, which City Engineer Birkhoff addressed in the latest letter. The freeboarding issues were corrected. Upon approval the next step would be for the Parker Storage Facility to provide the City an executed development plat with signatures from the surveyors and the engineer of record. The City would then execute the document and file it with Collin County.

Mayor Pro Tem Levine asked City Administrator Flanigan if he had the document. He said he did not have it at this time. Mr. Levine asked Mr. Flanigan to clarify what needed to be done. Mr. Meyer said the executed plat was delivered approximately ten (10) days ago to the Administrative Assistant Vicky Granger. Mr. Flanigan said he would locate the document, have it executed, and file the development plat with

Collin County. Councilmember Standridge restated Mayor Pro Tem Levine's request. Mr. Flanigan said it would be a motion to approve the development plat.

MOTION: Councilmember Taylor moved to approve Parker Storage Facility Development Plat. Councilmember Levine seconded.

Councilmember Standridge asked approximately how long it would take to execute and file the development plat. Mr. Flanigan said depending on how long it took to get the signatures to execute the plat; it could possibly be filed by Friday.

City Administrator Flanigan commented that the property was located in the County, so the permitting would be handled by the County, not the City of Parker. Construction permitting would be handled by the Collin County Fire Marshal's office. Councilmember Standridge asked about inspections. Mr. Flanigan said the City of Parker had no jurisdiction in the ETJ.

Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

5. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON ORDINANCE NO. 743 CALLING FOR AN ELECTION TO BE HELD ON SATURDAY, MAY 6, 2017 TO ELECT THREE (3) CITY COUNCIL MEMBERS AT-LARGE; PROVIDING FOR EARLY VOTING; AUTHORIZING THE MAYOR TO EXECUTE A GENERAL ELECTION CONTRACT FOR ELECTION SERVICES WITH COLLIN COUNTY; PROVIDING FOR THE ORDER AND NOTICE OF THE ELECTION; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW. [SHELBY]

City Attorney Shelby said Ordinance No. 743 called the May 6, 2017 General Election for the three (3) open City Council at-large positions and also authorized the Mayor to enter into and execute a contract with Collin County for election services for the following locations, dates, and times:

Polling Place*	Address	City
Collin County Election Office (Main Early Voting Location)	2010 Redbud Blvd., #102	McKinney
Parker City Hall	5700 E. Parker Road	Parker

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Apr 23	Apr 24 Early Voting 8am to 5pm	Apr 25 Early Voting 8am to 5pm	Apr 26 Early Voting 8am to 5pm	Apr 27 Early Voting 8am to 7pm	Apr. 28 Early Voting 8am to 5pm	Apr. 29 Early Voting 8am to 5pm
Apr 30	May 1 Early Voting 7am to 7pm	May 2 Early Voting 7am to 7pm	May 3	May 4	May 5	May 6 Election Day 7am to 7pm

* City voters may vote at any of the additional Early Voting locations open under full contract services with the Collin County Elections Administration.

MOTION: Councilmember Pettie moved to approve Ordinance No. 743, calling for an election to be held on Saturday, May 6, 2017 to elect three (3) city council members at-large; providing for early voting; authorizing the mayor to execute a general election contract for election services with Collin County; providing for the order and notice of the election. Councilmember Taylor seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for. Motion carried 5-0.

6. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON THE JOINT ELECTION AGREEMENT BETWEEN THE CITY COUNCIL OF THE CITY OF PARKER (THE CITY), THE BOARD OF TRUSTEES OF THE PLANO INDEPENDENT SCHOOL DISTRICT (PISD), KNOWN AS (THE SCHOOL), AND THE BOARD OF TRUSTEES OF COLLIN COLLEGE DISTRICT (THE COLLEGE). [SHELBY]

City Attorney Shelby briefly explained this was a joint election agreement between the City of Parker and the schools, PISD and Collin County College. All three (3) entities holding an election on May 6, 2017 would share the election costs equally. The contract also provided for the cancelation of an election, in which that entity would only be liable for the contract preparation fee of \$75.00.

Mayor Pro Tem Levine said he noticed Allen Independent School District (AISD) was not part of the joint agreement. AISD had not shared election costs in the past and usually had their elections at their Allen facilities.

MOTION: Councilmember Pettie moved to approve the Joint Election Agreement between the City Council of the City Of Parker (The City), the Board of Trustees of the Plano Independent School District (PISD), known as (the School), and the Board of Trustees of Collin College District (the College). Councilmember Standridge seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

7. PUBLIC HEARING FOR WHITESTONE ESTATES (FORMERLY DONIHOO FARMS) ANNEXATION. [SHELBY]

Mayor Marshall opened a public hearing at 7:40 p.m. to receive comments regarding the Whitestone Estates (Formerly Donihoo Farms) Annexation and read the notice, as follows:

LEGAL NOTICE FOR PUBLICATION ON
WHITESTONE ESTATES (FORMERLY DONIHOO FARMS) ANNEXATION

LEGAL NOTICE

The City of Parker will hold a Public Hearing on Tuesday, February 7, 2017, at 7 p.m. in City Hall, 5700 E. Parker Rd, Parker, TX 75002, to consider annexation of property, extending the city limits of the City of Parker, and reviewing the facility plan on the following described property:

PARCEL DESCRIPTION

Tract 1 – 11.660 acres; Tract 3 – 11.669; and Tract 4 – 16.815 acres in the Thomas Estes Survey, Abstract No. 298 City of Parker, Collin County, Texas, generally located north of Parker Road and east of Donna Lane.

By direction of the City Council of the City of Parker, Texas.

Whitestone Estates (Formerly Donihoo Farms) Representative/Manager Stephen L. Sallman, 4925 Greenville Avenue, Suite 1020, Dallas, Texas, said he submitted an application for the Whitestone Estates (Formerly Donihoo Farms) annexation, Phase 1, which was not in the City of Parker.

Don Dickson, 4404 Wagonwheel Drive, said in the interest of transparency, he wanted those in attendance to know he was a member of the Parker Zoning Board of Adjustment (ZBA), but he was present at tonight's meeting as an adjacent property owner. Mr. Dickson spoke briefly about his concern that the Whitestone Estates lot sizes were not comparable to the adjacent properties or did not appear to be. He stated he moved to his Parker home in 1995 and always had drainage issues. The City installed 18" culverts, but efforts to improve his drainage stopped at the city limits. Mr. Dickson said he discussed the matter with City Administrator Flanigan, who explained the City had no authority to go beyond the city limits, but hoped the new development would solve some of the drainage issues. The City Administrator and the developer's engineer of record were working to address drainage issues.

Lou Zettler, 4202 Donna Lane, inquired why the lots in the new development were less than two (2) acres. Mr. Zettler asked how much money the City invested in infrastructure and how much money it expected in tax revenue from the new development. City Administrator Flanigan replied the developer paid for the infrastructure and once completed, the developer would dedicate it to the City. At which time, the City would be responsible for maintenance. Mr. Flanigan said at build out, roughly 74 homes, tax revenue would be approximately \$33 million dollars. Mr. Sallman received no tax abatements from the City for this development. Mr. Zettler was invited to make an appointment to get exact numbers. Mr. Zettler asked about warranties, bonds and/or any fiduciary responsibility to insure the infrastructure. Mr. Flanigan said there was a two (2) year one hundred percent (100%) maintenance bond. The City tests and inspects the infrastructure along the way, making sure it meets requirements.

There being no additional comments or questions Mayor Marshall declared the public hearing closed at 7:52 p.m.

The Whitestone Estates (Formerly Donihoo Farms) annexation will have another public hearing on February 21, 2017, and the ordinance will be on the March 13, 2017 City Council meeting agenda for adoption.

8. DISCUSSION OF CITY COUNCIL STIPEND/COMPENSATION. [SHELBY]

City Attorney Shelby reviewed the item, stating Mayor Marshall requested he prepare a brief memorandum, regarding the subject matter of council pay in a Type A general law city in Texas. The City Attorney discussed requirements for council compensation, the procedure for implementing council compensation, and the pros and cons of compensating the council. (See Exhibit 3 – City Attorney Brandon S. Shelby's Memorandum, dated January 31, 2017.)

No Action necessary. Mayor Marshall commented this might be a topic for the City Council planning session later this year.

WHITESTONE ESTATES (FORMERLY DONIHOO FARMS) ANNEXATION

Mayor Marshall said he meant to ask this question earlier. He asked Mr. Sallman why the name was changed from Donihoo Farms to Whitestone Estates. Mr. Sallman said for rebranding purposes and he also said people were having problems pronouncing and spelling the former name.

9. DISCUSSION OF MARCH 13, 2017 SPECIAL CITY COUNCIL MEETING AND POSSIBLE CANCELATION OF MARCH 21, 2017 CITY COUNCIL MEETING. [MARSHALL]

MOTION: Councilmember Levine moved to set a special City Council Meeting for Monday, March 13, 2017, to meet the Whitestone Estates (Formerly Donihoo Farms) annexation requirements, cancel the regularly scheduled March 21, 2017, City Council Meeting, and call a special meeting if necessary. Councilmember Raney seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

10. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON CANCELING THE MAY 2, 2017 REGULAR MEETING DUE TO EARLY VOTING. [FLANIGAN]

MOTION: Councilmember Pettie moved to cancel the regularly scheduled May 2, 2017 City Council meeting, due to early voting being conducted in City Council Chambers, and call a special meeting if necessary. Councilmember Taylor seconded with Councilmembers Levine, Pettie, Raney, Standridge, and Taylor voting for the motion. Motion carried 5-0.

ROUTINE ITEMS

11. FUTURE AGENDA ITEMS

UPDATE(S):

- SUBSTANCE ABUSE SERVICES IN COLLIN COUNTY [SHELBY]
City Attorney Shelby updated City Council on the Collin County Substance Abuse Services, noting when those meetings were held the City Council

Members would be invited to participate/attend. Mr. Shelby encouraged Council to watch their email for invitation(s). No Action necessary.

- **ACCEPTANCE OF A THERMAL LAMINATOR FROM THE JERNIGANS**
The Mayor accepted the thermal laminator from the Jernigans.
- **2017 MAY. EARLY VOTING PERIOD AND ELECTION DAY INFORMATION**

Mayor Marshall asked Parker residents to make a note of the May 6, 2017 General Election Early Voting dates/times and Election Day hours provided.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Apr 23	Apr 24 Early Voting 8am to 5pm	Apr 25 Early Voting 8am to 5pm	Apr 26 Early Voting 8am to 5pm	Apr 27 Early Voting 8am to 7pm	Apr. 28 Early Voting 8am to 5pm	Apr. 29 Early Voting 8am to 5pm
Apr 30	May 1 Early Voting 7am to 7pm	May 2 Early Voting 7am to 7pm	May 3	May 4	May 5	May 6 Election Day 7am to 7pm


Mayor Marshall asked if there were any items to be added to the future agenda. Councilmember Standridge asked that a Transportation Update be added. Mayor Marshall noted a March 1, 2017 Collin County special meeting in that regard, updating cities on transportation needs and possibly a bond. He said the next regularly scheduled meeting would be Tuesday, February 21, 2017.

12. ADJOURN

Mayor Marshall adjourned the meeting at 8:04 p.m.



APPROVED:


Mayor Pro Tem Levine

ATTESTED:


Patti Scott Grey, City Secretary

Approved on the 27th day
of February, 2017.

ANNUAL FINANCIAL REPORT

of the

City of Parker, Texas

**For the Year Ended
September 30, 2016**

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City of Parker, Texas

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September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Parker, Texas:

Report on the Financial Statements

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, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of an Error

As disclosed in Note V.F., in the year ending September 30, 2015, the City restated its net position and general fund balance as of September 30, 2015 to correct an error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and budgetary comparison information 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.



BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
January 6, 2017

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Parker, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2016

As management of the City of Parker, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

Financial Highlights

- The City's total combined net position is \$50,427,501 at September 30, 2016. Of this, \$6,048,318 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,822,900, a decrease of \$470,821.
- As of the end of the year, the unassigned fund balance of the general fund was \$4,227,199 or 136% of total general fund expenditures.
- The City had an overall increase in net position of \$3,144,735, which is primarily due to capital assets contributed by a developer during the year.
- The City budgeted a deficit to fund balance for the general fund of \$517,585 for the year. The actual activity resulted in a deficit in the fund balance for the general fund of \$223,264. This resulted in a positive overall variance between budget to actual of \$294,321.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

City of Parker, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water, sewer and sanitation operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Parker Volunteer Fire Department for which the City is financially accountable. Although legally separate, the Fire Department functions for all practical purposes as a department of the City and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 19 through 21 of this report.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Parker. They are usually segregated for specific activities or objectives. The City of Parker uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Parker maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds which are considered to be major funds.

The City of Parker adopts an annual appropriated budget for its general, debt service, capital projects, and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

Proprietary Funds

The City maintains one type of proprietary fund which is considered an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of changes in net pension liability and related ratios for Texas Municipal Retirement System. The RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Parker, assets exceeded liabilities by \$50,427,501 as of September 30, 2016, in the primary government.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2016

The largest portion of the City's net position, \$44,043,967, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Capital assets of Governmental Activities as of September 30, 2016 and September 30, 2015 were \$35,581,699 and \$34,176,932, respectively. The increase of \$1,404,767 net of depreciation expense was primarily attributable to street developments contributed by a developer for \$2,232,870.

Capital assets of Business-Type Activities as of September 30, 2016 and September 30, 2015 were \$13,387,542 and \$12,186,584, respectively. The increase of \$1,200,958 net of depreciation expense was primarily attributable to water system developments contributed by a developer for \$1,858,315.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 6,243,391	\$ 2,294,240	\$ 8,537,631	\$ 6,589,837	\$ 1,995,328	\$ 8,585,165
Capital assets, net	35,581,699	13,387,542	48,969,241	34,176,932	12,186,584	46,363,516
Total Assets	41,825,090	15,681,782	57,506,872	40,766,769	14,181,912	54,948,681
Deferred Outflows of Resources	282,461	122,507	404,968	169,509	94,883	264,392
Other liabilities	747,077	473,832	1,220,909	161,911	177,716	339,627
Long-term liabilities	4,016,522	2,246,908	6,263,430	4,736,610	2,819,616	7,556,226
Total Liabilities	4,763,599	2,720,740	7,484,339	4,898,521	2,997,332	7,895,853
Deferred Inflows of Resources	-	-	-	26,977	7,477	34,454
Net Position:						
Net investment in capital assets	32,994,475	11,049,492	44,043,967	31,462,735	9,383,169	40,845,904
Restricted	335,216	-	335,216	290,175	-	290,175
Unrestricted	4,014,261	2,034,057	6,048,318	4,257,870	1,888,817	6,146,687
Total Net Position	\$ 37,343,952	\$ 13,083,549	\$ 50,427,501	\$ 36,010,780	\$ 11,271,986	\$ 47,282,766

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Activities:

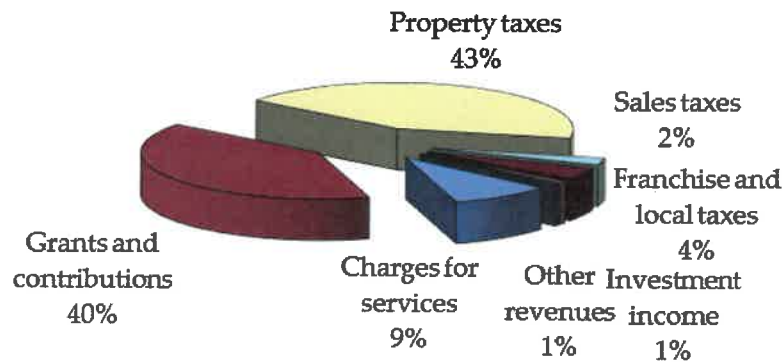
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2016			For the Year Ended September 30, 2015		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 532,320	\$ 3,017,791	\$ 3,550,111	\$ 534,483	\$ 2,801,548	\$ 3,336,031
Grants and contributions	2,297,691	1,858,314	4,156,005	74,172	-	74,172
General revenues:						
Property taxes	2,464,754	-	2,464,754	2,243,085	-	2,243,085
Sales taxes	142,183	-	142,183	145,308	-	145,308
Franchise and local taxes	249,279	-	249,279	241,674	-	241,674
Investment income	37,232	2,318	39,550	37,467	642	38,109
Other revenues	31,270	-	31,270	29,953	-	29,953
Total Revenues	5,754,729	4,878,423	10,633,152	3,306,142	2,802,190	6,108,332
Expenses						
General government	1,106,990	-	1,106,990	973,923	-	973,923
Public safety	1,177,661	-	1,177,661	1,078,927	-	1,078,927
Transportation	2,015,044	-	2,015,044	1,929,597	-	1,929,597
Culture and recreation	10,618	-	10,618	12,232	-	12,232
Interest and fiscal charges	111,244	77,864	189,108	130,149	90,912	221,061
Water, sewer, & sanitation	-	2,988,996	2,988,996	-	2,518,042	2,518,042
Total Expenses	4,421,557	3,066,860	7,488,417	4,124,828	2,608,954	6,733,782
Change in Net Position	1,333,172	1,811,563	3,144,735	(818,686)	193,236	(625,450)
Beginning Net Position	36,010,780	11,271,986	47,282,766	36,829,466	11,078,750	47,908,216
Ending Net Position	\$ 37,343,952	\$ 13,083,549	\$ 50,427,501	\$ 36,010,780	\$ 11,271,986	\$ 47,282,766

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

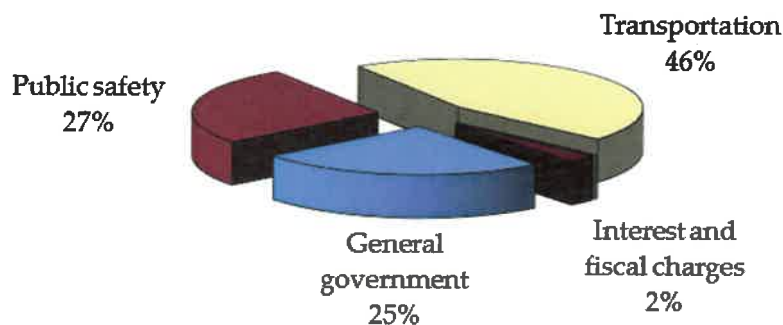
Governmental Activities - Revenues



For the year ended September 30, 2016, revenues from governmental activities totaled \$5,754,729. Property tax and grants and contributions are the City's largest revenue sources. Property tax increased \$221,669 or 10% due to an increase to the taxable appraisal value of properties. Grants and contributions increased \$2,223,519 or 3,000% due to a significant streets development contribution from a developer during the year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



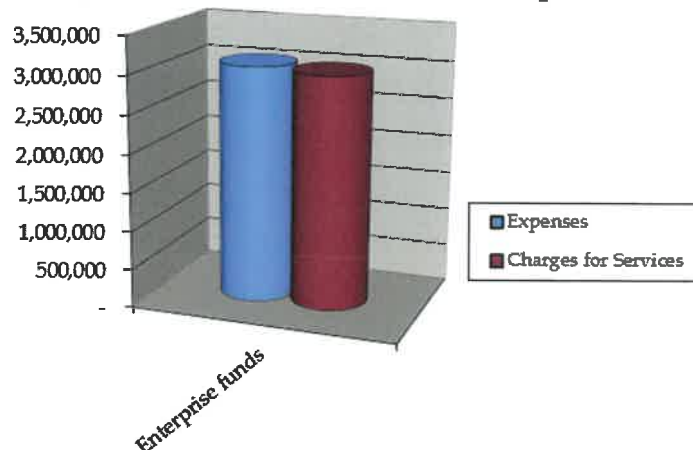
For the year ended September 30, 2016, expenses for governmental activities totaled \$4,421,557. This represents an increase of \$296,729 or 7% from the prior year. The City's largest functional expense is transportation for \$2,015,044, which is primarily depreciation of transportation related assets. Transportation expenses increased by \$85,447 or 4% from prior year. The increase was a result of additional depreciation on capital assets put into service during the year.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Business-type activities are shown comparing operating costs to revenues generated by related services.

For the year ended September 30, 2016, charges for services by business-type activities totaled \$3,017,791. This is an increase of \$216,243, or 8% from the previous year. This increase directly relates to increases in water usage compared to prior year.

Business-Type Activities - Revenues and Expenses



Total expenses increased \$457,906 due primarily to an increase in the cost of water purchased by the City. All other expenses remained relatively consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$4,368,509. Of this, \$36,945 is restricted for municipal court and \$104,268 is committed for capital improvements. The unassigned fund balance totaled \$4,227,199 as of year end.

There was a decrease in governmental fund balance of \$470,821 from the prior year. The City budgeted expenditures to exceed revenues during the year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$294,321 in the general fund. This was the result of positive expenditure variances totaling \$407,307. All expenditures were less than budgeted.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$35,581,699 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$13,387,542 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Water system developments contributed by developer for \$1,858,315
- Streets developments contributed by developer for \$2,232,870
- Streets developments of \$708,352
- Vehicles and city equipment of \$199,715

More detailed information about the City's capital assets is presented in note IV. D. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$5,920,000. During the year, the City had a decrease in total long-term debt of \$752,321. The decrease was due to the payments on existing debts and no new issuances during the year. More detailed information about the City's long-term liabilities is presented in note IV. E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Parker and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Parker's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, 5700 East Parker Road, Parker, Texas 75002.

FINANCIAL STATEMENTS

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City of Parker, Texas
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 3,602,722	\$ 1,941,584	\$ 5,544,306
Receivables, net	225,026	348,499	573,525
Prepaid expenses	-	4,157	4,157
Total Current Assets	3,827,748	2,294,240	6,121,988
Investments	2,415,643	-	2,415,643
Capital assets:			
Non-depreciable	843,484	107,417	950,901
Net depreciable capital assets	34,738,215	13,280,125	48,018,340
	37,997,342	13,387,542	51,384,884
Total Assets	41,825,090	15,681,782	57,506,872
<u>Deferred Outflows of Resources</u>			
Pension contributions	80,362	22,275	102,637
Pension investment earnings	104,983	29,099	134,082
Pension experience vs. assumptions	28,661	7,944	36,605
Deferred charge on refunding	68,455	63,189	131,644
Total Deferred Outflows of Resources	282,461	122,507	404,968
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	217,956	167,085	385,041
Customer deposits	53,000	-	53,000
Accrued interest payable	14,211	10,741	24,952
Noncurrent liabilities due within one year	461,910	296,006	757,916
	747,077	473,832	1,220,909
Noncurrent liabilities:			
Due in more than one year	3,335,861	2,058,245	5,394,106
Net pension liability	680,661	188,663	869,324
	4,016,522	2,246,908	6,263,430
Total Liabilities	4,763,599	2,720,740	7,484,339
<u>Net Position</u>			
Net investment in capital assets	32,994,475	11,049,492	44,043,967
Restricted	335,216	-	335,216
Unrestricted	4,014,261	2,034,057	6,048,318
Total Net Position	\$ 37,343,952	\$ 13,083,549	\$ 50,427,501

See Notes to Financial Statements.

City of Parker, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,106,990	\$ 350,946	\$ 3,594	\$ -
Public safety	1,177,661	181,374	61,227	-
Transportation	2,015,044	-	-	2,232,870
Culture and recreation	10,618	-	-	-
Interest and fiscal charges	111,244	-	-	-
Total Governmental Activities	<u>4,421,557</u>	<u>532,320</u>	<u>64,821</u>	<u>2,232,870</u>
Business-Type Activities				
Water, Sewer, & Sanitation	3,066,860	3,017,791	-	1,858,314
Total Business-Type Activities	<u>3,066,860</u>	<u>3,017,791</u>	<u>-</u>	<u>1,858,314</u>
Total Primary Government	<u>\$ 7,488,417</u>	<u>\$ 3,550,111</u>	<u>\$ 64,821</u>	<u>\$ 4,091,184</u>

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Total General Revenues

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (752,450)	\$ -	\$ (752,450)
(935,060)	-	(935,060)
217,826	-	217,826
(10,618)	-	(10,618)
(111,244)	-	(111,244)
(1,591,546)	-	(1,591,546)
-	1,809,245	1,809,245
-	1,809,245	1,809,245
(1,591,546)	1,809,245	217,699
2,464,754	-	2,464,754
142,183	-	142,183
249,279	-	249,279
37,232	2,318	39,550
31,270	-	31,270
2,924,718	2,318	2,927,036
1,333,172	1,811,563	3,144,735
36,010,780	11,271,986	47,282,766
<u>\$ 37,343,952</u>	<u>\$ 13,083,549</u>	<u>\$ 50,427,501</u>

City of Parker, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2016

	General	Debt Service	Capital Projects
<u>Assets</u>			
Cash and cash equivalents	\$ 2,451,801	\$ 125,637	\$ 919,109
Investments	2,349,281	-	-
Receivables, net	210,784	14,242	-
Due from other funds	-	-	272,200
Total Assets	\$ 5,011,866	\$ 139,879	\$ 1,191,309
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 182,864	\$ -	\$ 35,092
Customer deposits	53,000	-	-
Due to other funds	272,200	-	-
Total Liabilities	508,064	-	35,092
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	62,231	14,242	-
Unavailable revenue - franchise taxes	73,062	-	-
Total Deferred Inflows of Resources	135,293	14,242	-
<u>Fund Balances</u>			
Restricted for:			
Municipal court	36,945	-	-
Police seizures	97	-	-
Debt service	-	125,637	-
Capital projects	-	-	1,156,217
Fire department	-	-	-
Committed for:			
Capital improvements	104,268	-	-
Unassigned reported in:			
General fund	4,227,199	-	-
Total Fund Balances	4,368,509	125,637	1,156,217
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,011,866	\$ 647,943	\$ 1,664,281

See Notes to Financial Statements.

<u>Nonmajor Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
\$ 106,175	\$ 3,602,722
66,362	2,415,643
-	225,026
-	272,200
<u>\$ 172,537</u>	<u>\$ 6,515,591</u>

\$ -	\$ 217,956
-	53,000
-	272,200
<u>-</u>	<u>543,156</u>

-	76,473
-	73,062
<u>-</u>	<u>149,535</u>

-	36,945
-	97
-	125,637
-	1,156,217
172,537	172,537

-	104,268
-	4,227,199
<u>172,537</u>	<u>5,822,900</u>

<u>\$ 680,601</u>	<u>\$ 6,480,499</u>
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City of Parker, Texas
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2016

Fund Balances - Total Governmental Funds	\$ 5,822,900
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	843,484
Capital assets - net depreciable	34,738,215
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property taxes	76,473
Franchise taxes	73,062
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Deferred charge on refunding	68,455
Pension contributions	80,362
Pension investment earnings	104,983
Pension experience vs. assumptions	28,661
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(14,211)
Bond premium	(76,439)
Net pension liability	(680,661)
Non-current liabilities due in one year	(461,910)
Non-current liabilities due in more than one year	(3,259,422)
Net Position of Governmental Activities	\$ 37,343,952

See Notes to Financial Statements.

City of Parker, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General	Debt Service	Capital Projects
<u>Revenues</u>			
Property tax	\$ 1,913,557	\$ 551,197	\$ -
Sales tax	142,183	-	-
Franchise and local taxes	249,279	-	-
License and permits	350,946	-	-
Contributions and donations	240	-	-
Intergovernmental	3,594	-	-
Fines and forfeitures	181,374	-	-
Investment income	32,637	-	4,399
Other revenue	20,246	8,028	-
Total Revenues	2,894,056	559,225	4,399
<u>Expenditures</u>			
Current:			
General government	718,519	-	-
Police department	935,938	-	-
Municipal court	151,086	-	-
Fire department	252,458	-	-
Building and code enforcement	97,050	-	-
Public works	808,259	-	-
City property	154,010	-	-
Capital outlay	-	-	295,842
Debt Service:			
Principal	-	420,590	-
Interest and fiscal charges	-	114,970	-
Total Expenditures	3,117,320	535,560	295,842
Excess of Revenues Over (Under) Expenditures	(223,264)	23,665	(291,443)
Net change in fund balances	(223,264)	23,665	(291,443)
Beginning fund balances	4,591,773	101,972	1,447,660
Ending Fund Balances	\$ 4,368,509	\$ 125,637	\$ 1,156,217

See Notes to Financial Statements.

<u>Nonmajor Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,464,754
-	142,183
-	249,279
-	350,946
60,987	61,227
-	3,594
-	181,374
196	37,232
2,996	31,270
<u>64,179</u>	<u>3,521,859</u>
-	718,519
-	935,938
-	151,086
43,958	296,416
-	97,050
-	808,259
-	154,010
-	295,842
-	420,590
-	114,970
<u>43,958</u>	<u>3,992,680</u>
20,221	(470,821)
20,221	(470,821)
152,316	6,293,721
<u>\$ 172,537</u>	<u>\$ 5,822,900</u>

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City of Parker, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (470,821)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	908,068
Loss on capital assets retired	(21,882)
Depreciation expense	(1,714,289)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Capital assets contributed from developer	2,232,870
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Some expenses 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.

Compensated absences	(2,181)
Accrued interest	1,119
Pension expense	(22,909)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of deferred charges on refunding	(5,706)
Amortization of premium	8,313
Principal payments	420,590

Change in Net Position of Governmental Activities	\$ 1,333,172
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See Notes to Financial Statements.

City of Parker, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2016

	<u>Water, Sewer & Sanitation</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 1,941,584
Receivables, net	348,499
Prepaid expenses	4,157
Total Current Assets	<u>2,294,240</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	107,417
Net depreciable capital assets	13,280,125
Total Noncurrent Assets	<u>13,387,542</u>
Total Assets	<u>15,681,782</u>
<u>Deferred Outflows of Resources</u>	
Pension contributions	22,275
Pension investment earnings	29,099
Pension actual experience vs. assumptions	7,944
Deferred charge on refunding	63,189
Total Deferred Outflows of Resources	<u>122,507</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	167,085
Accrued interest	10,741
Noncurrent liabilities due within one year	296,006
Total Current Liabilities	<u>473,832</u>
<u>Noncurrent Liabilities</u>	
Due in more than one year	2,058,245
Net pension liability	188,663
Total Liabilities	<u>2,720,740</u>
<u>Net Position</u>	
Net investment in capital assets	11,049,492
Unrestricted	2,034,057
Total Net Position	<u>\$ 13,083,549</u>

See Notes to Financial Statements.

City of Parker, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	<u>Water, Sewer & Sanitation</u>
<u>Operating Revenues</u>	
Water sales	\$ 2,193,610
Sewer revenue	187,845
Garbage collection	305,185
Meter installations	141,000
Other revenue	190,151
Total Operating Revenues	<u>3,017,791</u>
<u>Operating Expenses</u>	
Cost of water	1,818,181
Cost of sewer	230,248
Cost of garbage	283,210
Depreciation	374,940
Total Operating Expenses	<u>2,706,579</u>
Operating Income (Loss)	<u>311,212</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	2,318
Interest expense	(77,864)
Contributed capital assets from developer	1,858,314
Loss on capital assets retired	(282,417)
Total Nonoperating Revenues (Expenses)	<u>1,500,351</u>
Change in Net Position	1,811,563
Beginning net position	<u>11,271,986</u>
Ending Net Position	<u><u>\$ 13,083,549</u></u>

See Notes to Financial Statements.

City of Parker, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2016

	<u>Water, Sewer & Sanitation</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 3,126,073
Payments to suppliers and employees	<u>(2,320,127)</u>
Net Cash Provided by Operating Activities	<u>805,946</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal paid on debt	(314,410)
Interest paid on debt	<u>(86,660)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(401,070)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	<u>2,318</u>
Net Cash Provided by Investing Activities	<u>2,318</u>
Net Increase in Cash and Cash Equivalents	407,194
Beginning cash and cash equivalents	<u>1,534,390</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,941,584</u></u>

See Notes to Financial Statements.

City of Parker, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2016

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 311,212
Adjustments to reconcile operating income to net cash provided:	
Depreciation	374,940
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	108,282
Increase (Decrease) in:	
Accounts payable and accrued liabilities	5,163
Deferred outflows of resources - pension contributions	(438)
Deferred outflows of resources - pension investment earnings	(24,508)
Deferred inflows of resources - experience vs. assumptions	(15,421)
Net pension liability	46,716
Net Cash Provided by Operating Activities	\$ 805,946
<u>Schedule of Non-Cash Capital and Related Financing Activities</u>	
Capital assets contributed by developer	\$ 1,858,314
Capital assets retired	282,417

See Notes to Financial Statements.

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City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Parker, Texas (the "City") was incorporated on March 22, 1969 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; parks; general administrative services; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Parker Volunteer Fire Department, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Blended Component Unit

Parker Volunteer Fire Department

The Parker Volunteer Fire Department (the "VFD") was created by City ordinance on February 22, 1983. The purpose of the VFD is to provide fire protection to the citizens of the City. The Fire Chief is the executive officer of the department and is appointed by the Mayor of the City.

C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Expenditures include general government, public safety, public works, code enforcement, and parks and recreation. The general fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The City's capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. The capital projects fund is considered a major fund for reporting purposes.

Volunteer Fire Department Fund

The volunteer fire department fund (the "VFD") is used to account for contributions and grants that are contributed to the VFD for fire protection. The VFD is considered a nonmajor fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Water, Sewer, & Sanitation Fund

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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maintenance of the water production and distribution system, water collection and treatment systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

the current period. For this purpose, the government 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 accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

As of September 30, 2016, the City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 to 20 years
Furniture and equipment	5 to 10 years
Infrastructure	20 - 40 years
Water and sewer system	40 years
Buildings and improvements	40 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. An example which arises only under a modified accrual basis of accounting, relates to the accounting for uncollected property taxes. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumptions used within the pension actuarial valuation model.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2016

can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, net pension liability, and accrued compensated absences.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

The net pension liability is included within long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarially calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and water, sewer, & sanitation fund. Capital projects fund budgets are appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

1. Excess of Expenditures Over Appropriations:

For the year ended September 30, 2016, no general fund expenditures exceeded appropriations at the legal level of control.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>	<u>Credit Rating</u>
Certificates of deposit	\$ 2,415,643	1.06	A+
External investment pools	3,566,896	0.11	AAAm
Total fair value	<u>\$ 5,982,539</u>		
Portfolio weighted average maturity		0.50	

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2016, the City's investment in TexSTAR was rated AAAm by Standard & Poor's.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2016, the market values of pledged securities and FDIC exceeded bank balances.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR are the same as the value of TexSTAR shares.

B. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

C. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water, Sewer & Sanitation	Total
Property taxes	\$ 62,231	\$ 14,242	\$ -	\$ 76,473
Sales tax	19,244	-	-	19,244
Franchise & local taxes	108,200	-	-	108,200
Accounts	-	-	348,499	348,499
Other	21,109	-	-	21,109
Total	\$ 210,784	\$ 14,242	\$ 348,499	\$ 573,525

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 843,484	\$ -	\$ -	\$ 843,484
Total capital assets not being depreciated	<u>843,484</u>	<u>-</u>	<u>-</u>	<u>843,484</u>
Capital assets, being depreciated:				
Land improvements	212,367	-	-	212,367
Buildings and improvements	2,616,328	-	-	2,616,328
Vehicles and equipment	2,505,408	199,715	(193,194)	2,511,929
Infrastructure	42,131,296	2,941,223	-	45,072,519
Total capital assets being depreciated	<u>47,465,399</u>	<u>3,140,938</u>	<u>(193,194)</u>	<u>50,413,143</u>
Less accumulated depreciation				
Land improvements	39,562	10,618	-	50,180
Buildings and improvements	585,876	65,450	-	651,326
Vehicles and equipment	1,746,547	131,465	(171,312)	1,706,700
Infrastructure	11,759,966	1,506,756	-	13,266,722
Total accumulated depreciation	<u>14,131,951</u>	<u>1,714,289</u>	<u>(171,312)</u>	<u>15,674,928</u>
Net capital assets being depreciated	<u>33,333,448</u>	<u>1,426,649</u>	<u>(21,882)</u>	<u>34,738,215</u>
Total Capital Assets	<u><u>\$ 34,176,932</u></u>	<u><u>\$ 1,426,649</u></u>	<u><u>\$ (21,882)</u></u>	<u><u>\$ 35,581,699</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 29,283
Public safety	143,155
Public works	1,531,233
Culture and recreation	10,618
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,714,289</u></u>

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 107,417	\$ -	\$ -	\$ 107,417
Total capital assets not being depreciated	<u>107,417</u>	<u>-</u>	<u>-</u>	<u>107,417</u>
Capital assets, being depreciated:				
Water and sewer system	15,957,474	1,858,315	(806,683)	17,009,106
Vehicles and equipment	263,085	-	(8,963)	254,122
Total capital assets being depreciated	<u>16,220,559</u>	<u>1,858,315</u>	<u>(815,646)</u>	<u>17,263,228</u>
Less accumulated depreciation				
Water and sewer system	3,888,122	367,710	(524,266)	3,731,566
Vehicles and equipment	253,270	7,230	(8,963)	251,537
Total accumulated depreciation	<u>4,141,392</u>	<u>374,940</u>	<u>(533,229)</u>	<u>3,983,103</u>
Net capital assets being depreciated	<u>12,079,167</u>	<u>1,483,375</u>	<u>(282,417)</u>	<u>13,280,125</u>
Total Capital Assets	<u><u>\$ 12,186,584</u></u>	<u><u>\$ 1,483,375</u></u>	<u><u>\$ (282,417)</u></u>	<u><u>\$ 13,387,542</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 369,524
Sewer	<u>5,416</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 374,940</u></u>

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,592,105	\$ -	\$ (285,590)	\$ 2,306,515	\$ 263,575
Premium	84,752	-	(8,313)	76,439	-
Certificate of Obligation	1,485,000	-	(135,000)	1,350,000	140,000
Other liabilities:					
Compensated Absences	62,636	66,840	(64,659)	64,817	58,335
Total Governmental Activities	<u>\$ 4,224,493</u>	<u>\$ 66,840</u>	<u>\$ (493,562)</u>	<u>\$ 3,797,771</u>	<u>\$ 461,910</u>
Long-term liabilities due in more than one year				<u>\$ 3,335,861</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,577,895	\$ -	\$ (314,410)	\$ 2,263,485	\$ 281,425
Premium	83,573	-	(9,008)	74,565	-
Other liabilities:					
Compensated Absences	16,201	23,520	(23,520)	16,201	14,581
Total Business-Type Activities	<u>\$ 2,677,669</u>	<u>\$ 23,520</u>	<u>\$ (346,938)</u>	<u>\$ 2,354,251</u>	<u>\$ 296,006</u>
Long-term liabilities due in more than one year				<u>\$ 2,058,245</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2010 General obligation refunding bonds (41%)	2.00 - 3.5%	\$ 735,950	\$ 215,250
2011 General obligation refunding bonds (52%)	2.00 - 4.00%	2,959,825	2,091,265
2015 Certificate of obligation (100%)	2.09%	1,485,000	1,350,000
Total Governmental Activities		\$ 5,180,775	\$ 3,656,515
Business-type Activities:			
2010 General obligation refunding bonds (59%)	2.00 - 3.5%	\$ 1,059,050	\$ 309,750
2011 General obligation refunding bonds (48%)	2.00 - 4.00%	2,765,175	1,953,735
Total Business-Type Activities		\$ 3,824,225	\$ 2,263,485
Total Long-Term Debt			
2010 General obligation refunding bonds	2.00 - 3.5%	\$ 1,795,000	\$ 525,000
2011 General obligation refunding bonds	2.00 - 4.00%	5,725,000	4,045,000
2015 Certificate of obligation	2.09%	1,485,000	1,350,000
Total		\$ 9,005,000	\$ 5,920,000

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities					
	2010 G.O. Bonds		2011 G.O. Bonds		2015 C.O.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 69,700	\$ 7,185	\$ 193,875	\$ 71,025	\$ 140,000	\$ 26,752
2018	71,750	5,094	199,045	65,616	140,000	23,826
2019	73,800	2,583	204,215	59,567	140,000	20,900
2020	-	-	211,970	53,325	150,000	17,870
2021	-	-	217,140	45,802	150,000	14,735
2022	-	-	224,895	36,962	155,000	11,547
2023	-	-	237,820	27,707	155,000	8,308
2024	-	-	155,100	19,849	160,000	5,016
2025	-	-	134,420	14,294	160,000	1,672
2026	-	-	100,815	10,001	-	-
2027	-	-	103,400	6,170	-	-
2028	-	-	108,570	2,090	-	-
Total	\$ 215,250	\$ 14,863	\$ 2,091,265	\$ 412,409	\$ 1,350,000	\$ 130,626

2010 general obligation refunding bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The governmental activities portion is 41% or \$735,950 of the total \$1,795,000 issue.

2011 general obligation refunding bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The governmental activities portion is 52% or \$2,959,825 of the total \$5,725,000 issue.

2015 certificate of obligation bonds issued August 20, 2015, due in annual installments through February 15, 2025, bearing interest ranging from 2.09% payable February 15 and August 15. The governmental activities portion is 100% of the total issue of \$1,485,000.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Business-Type Activities			
	2010 G.O. Bonds		2011 G.O. Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 100,300	\$ 10,340	\$ 181,125	\$ 66,355
2018	103,250	7,331	185,955	61,301
2019	106,200	3,717	190,785	55,650
2020	-	-	198,030	49,818
2021	-	-	202,860	42,790
2022	-	-	210,105	34,531
2023	-	-	222,180	25,885
2024	-	-	144,900	18,544
2025	-	-	125,580	13,354
2026	-	-	94,185	9,343
2027	-	-	96,600	5,765
2028	-	-	101,430	1,953
Total	\$ 309,750	\$ 21,388	\$ 1,953,735	\$ 385,287

2010 general obligation refunding bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The business-type activities portion is 59% or \$1,059,050 of the total \$1,795,000 issue.

2011 general obligation refunding bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The business-type activities portion is 48% or \$2,765,175 of the total \$5,725,000 issue.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize total government-wide debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 403,575	\$ 104,962	\$ 281,425	\$ 76,695	\$ 685,000	\$ 181,657
2018	410,795	94,536	289,205	68,632	700,000	163,168
2019	418,015	85,976	296,985	59,367	715,000	145,343
2020	361,970	71,195	198,030	49,818	560,000	121,013
2021	367,140	60,537	202,860	42,790	570,000	103,327
2022	379,895	48,509	210,105	34,531	590,000	83,040
2023	392,820	36,015	222,180	25,885	615,000	61,900
2024	315,100	24,865	144,900	18,544	460,000	43,409
2025	294,420	15,966	125,580	13,354	420,000	29,320
2026	100,815	1,001	94,185	9,343	195,000	10,344
2027	103,400	6,170	96,600	5,765	200,000	11,935
2028	108,570	2,090	101,430	1,953	210,000	4,043
Total	\$ 3,656,515	\$ 551,822	\$ 2,263,485	\$ 406,677	\$ 5,920,000	\$ 958,499

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

F. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2010 and 2011 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental and business-type activities totaled \$68,455 and \$63,189, respectively. Current year amortization expense for governmental and business-type activities totaled \$5,706 and \$5,266, respectively.

G. Customer Deposits

The City had customer deposits of \$53,000 in the general fund as of year end. The City requires a \$1,000 refundable deposit for all new home building permits. This amount will be refunded upon completion of the project and by meeting certain criteria set by the City.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

H. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2016 were as follows:

Due to:	Due from:
Capital projects	General
\$	\$
272,200	272,200

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	Restricted	Committed
Municipal court	\$ 36,945	\$ -
Police seizures	97	-
Debt service	125,637	-
Fire safety	172,537	-
Capital improvements	1,156,217	104,268
Total	\$ 1,491,433	\$ 104,268

*Restricted by enabling legislation.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

I. Lease Obligations

This year, the government entered into an operating lease agreement as lessee for an office building to be used by the police department. The term of the lease is 60 months beginning on July 12, 2016. The monthly lease payment is \$2,200.

Future minimum payments for this lease are as follows:

Year ended September 30:		
2017	\$	26,400
2018		26,400
2019		26,400
2020		26,400
2021		22,000
Thereafter		-
	\$	<u>127,600</u>

V. OTHER INFORMATION

A. 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; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Defined Benefit Pension Plans

1. Plan Description

The City of Parker participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2015</u>	<u>Plan Year 2016</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	11
Active employees	21
Total	38

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Parker were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Parker were 11.68% and 11.20% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$134,731, and were equal to the required contributions.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/14	\$ 2,810,522	\$ 2,156,458	\$ 654,064
Changes for the year:			
Service Cost	142,149	-	142,149
Interest	196,185	-	196,185
Difference between expected and actual experience	(2,192)	-	(2,192)
Changes of assumptions	81,015	-	81,015
Contributions – employer	-	132,625	(132,625)
Contributions – employee	-	68,124	(68,124)
Net investment income	-	3,182	(3,182)
Benefit payments, including refunds of emp. contributions	(157,911)	(157,911)	-
Administrative expense	-	(1,938)	1,938
Other changes	-	(96)	96
Net changes	259,246	43,986	215,260
Balance at 12/31/15	\$ 3,069,768	\$ 2,200,444	\$ 869,324

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,265,399	\$ 869,324	\$ 537,720

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

5. Pension Expense and Deferred Outflows of Resources Related to Pensions

At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between projected and investment earnings	\$ 134,082
Differences between expected and actual economic experience	36,605
Contributions subsequent to the measurement date	102,637
Total	\$ 273,324

The City reported \$102,637 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	42,606
2017	34,023
2018	51,230
2019	42,828
2020	-
Thereafter	-
	\$ 170,687

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's retiree contribution rates to the TMRS SDBF for the years ended 2016, 2015 and 2014 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	0.01%	0.01%	100.0%
2015	0.01%	0.01%	100.0%
2016	0.01%	0.01%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$119, \$112, and \$103, respectively, which equaled the required contributions each year.

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The City's deferred compensation plan is administered by a private corporation under contract with the City. Total participant contributions were approximately \$16,830 for the year ended September 30, 2016. The City does not contribute to the plan.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

F. Restatement

The City restated its beginning net position within government activities to properly reflect franchise taxes receivable as of September 30, 2015. This adjustment was recorded at the fund level for the general fund only, and recorded for governmental activities at the government wide level. The below tables summarize the changes to net position and general fund balance as a result of this error correction.

	Governmental Activities
Prior year ending net position, as reported	\$ 35,920,447
Adjustment to accrue franchise tax receivable	90,333
Restated beginning net position	<u>\$ 36,010,780</u>
	General Fund
Prior year ending fund balance, as reported	\$ 4,574,502
Adjustment to accrue franchise tax receivable	90,333
Adjustment to accrue deferred inflows of resources on franchise tax receivable	(73,062)
Restated beginning net position	<u>\$ 4,591,773</u>

G. Subsequent Events

There were no material subsequent events through, the date the financial statements were issued.

H. New Accounting Pronouncements

The GASB issued Statement No. 72, entitled *Fair Value Measurement and Application*; The provisions of GASB Statement No. 72 are effective for reporting periods beginning after June 15, 2015. GASB Statement No. 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement generally requires state and local governments to measure investments at fair value. The statement defines an *investment* as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. *Fair value* is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The City has adopted this statement during the current fiscal year, but it had no material effect on these accompanying financial statements.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The GASB issued Statement No. 74 titled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, titled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; titled, *Tax Abatement Disclosures*; GASB Statement No. 78, titled, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which will require adoption in the future, if applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Parker, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,875,256	\$ 1,875,256	\$ 1,913,557	\$ 38,301
Sales tax	150,000	150,000	142,183	(7,817)
Franchise and local taxes	254,250	254,250	249,279	(4,971)
License and permits	523,000	523,000	350,946	(172,054)
Contributions and donations	-	-	240	240
Intergovernmental	1,536	1,536	3,594	2,058
Fines and forfeitures	160,000	160,000	181,374	21,374
Investment income	20,000	20,000	32,637	12,637
Other revenue	23,000	23,000	20,246	(2,754)
Total Revenues	3,007,042	3,007,042	2,894,056	(112,986)
<u>Expenditures</u>				
Current:				
General government	975,975	809,875	718,519	91,356
Police department	932,057	990,657	935,938	54,719
Municipal court	161,319	161,319	151,086	10,233
Fire department	308,550	308,550	252,458	56,092
Building and code enforcement	101,654	101,654	97,050	4,604
Public works	968,072	998,072	808,259	189,813
City property	77,000	154,500	154,010	490
Total Expenditures	3,524,627	3,524,627	3,117,320	407,307
Revenues Over (Under)	(517,585)	(517,585)	(223,264)	294,321
Net Change in Fund Balance	\$ (517,585)	\$ (517,585)	(223,264)	\$ 294,321
Beginning fund balance			4,591,773	
Ending Fund Balance			\$ 4,368,509	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Parker, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2016

	2015	2014	1
Total pension liability			
Service cost	\$ 142,149	\$ 113,443	
Interest	196,185	189,492	
Changes in benefit terms	-	-	
Differences between expected and actual experience	(2,192)	(43,077)	
Changes of assumptions	81,015	-	
Benefit payments, including refunds of participant contributions	(157,911)	(199,299)	
Net change in total pension liability	259,246	60,559	
Total pension liability - beginning	2,810,522	2,749,963	
Total pension liability - ending (a)	3,069,768	2,810,522	
Plan fiduciary net position			
Contributions - employer	\$ 132,625	\$ 108,296	
Contributions - members	68,124	63,331	
Net investment income	3,182	118,262	
Benefit payments, including refunds of participant contributions	(157,911)	(199,299)	
Administrative expenses	(1,938)	(1,235)	
Other	(96)	(102)	
Net change in plan fiduciary net position	43,986	89,253	
Plan fiduciary net position - beginning	2,156,458	2,067,205	
Plan fiduciary net position - ending (b)	\$ 2,200,444	\$ 2,156,458	
Fund's net pension liability - ending (a) - (b)	\$ 869,324	\$ 654,064	
 Plan fiduciary net position as a percentage of the total	 71.68%	 76.73%	
Covered employee payroll	\$ 1,136,281	\$ 1,055,519	
Fund's net position as a percentage of covered employee payroll	76.51%	61.97%	

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Parker, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

September 30, 2016

	12/31/2015	12/31/2014 ¹
Actuarially determined employer contributions	\$ 132,625	\$ 125,535
Contributions in relation to the actuarially determined contribution	\$ 132,625	\$ 125,535
Contribution deficiency (excess)	\$ -	\$ -
Annual covered employee payroll	\$ 1,136,281	\$ 1,055,519
Employer contributions as a percentage of covered employee payroll	11.67%	11.89%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.0% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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PARKER, TEXAS

Audit Presentation

September 30, 2016

Presented By: Jon Watson, CPA
February 7, 2017



2.07.2017

OVERVIEW OF THE AUDIT PROCESS

Audit Planning and Risk Assessment

- Performing preliminary analytical procedures, covering all accounts and identify any significant new accounts or programs and any significant changes from the prior year.
- Obtaining an understanding of the City and internal controls and evaluating the design and implementation of internal controls for each significant audit area.
- Assessing various organizational, financial & fraud risks through discussion with management, results of our planning procedures.
- Designing our audit procedures with a focus on areas containing the greatest risk of material misstatement, error, and fraud.

OVERVIEW OF THE AUDIT PROCESS, Continued

Audit Fieldwork & Completion and Reporting

Typical audit procedures as part of our audit fieldwork include:

- Agreeing the financial statement elements to the underlying accounting records including year-end account balances and transaction activity occurring throughout the year.
- Inspection of documents, recalculation of various amounts, inquiry of appropriate personnel as well as other means to verify account balances.
- Confirming cash held in bank and investment accounts, accounts receivable, inventory held by others, and material grants.
- Perform specific analytical procedures - considering historical trends and events within the City.

Audit Completion and Reporting Procedures Include:

- Evaluate the sufficiency and appropriateness of audit evidence obtained.
- Perform an overall analytical review.
- Evaluate and conclude on the results of audit procedures.
- Prepare or assist in the preparation of the City's Annual Financial Report.
- Issue the Auditor's Opinion (report).

COMPONENTS OF THE ANNUAL FINANCIAL REPORT

- ❖ Auditor's Opinion
- ❖ Management's Discussion and Analysis
- ❖ Basic Financial Statements
 - Government-Wide Statements
 - Fund Level Statements
 - Notes to the Financial Statements
- ❖ Required Supplementary Information
 - Budget to Actual - General Fund
 - Pension Schedules

INDEPENDENT AUDITOR'S REPORT

REFERENCE AFR – PAGE 1

❖ Four possible outcomes



- ❖ The City received an unmodified opinion
- ❖ Highest level of assurance

FINANCIAL HIGHLIGHTS

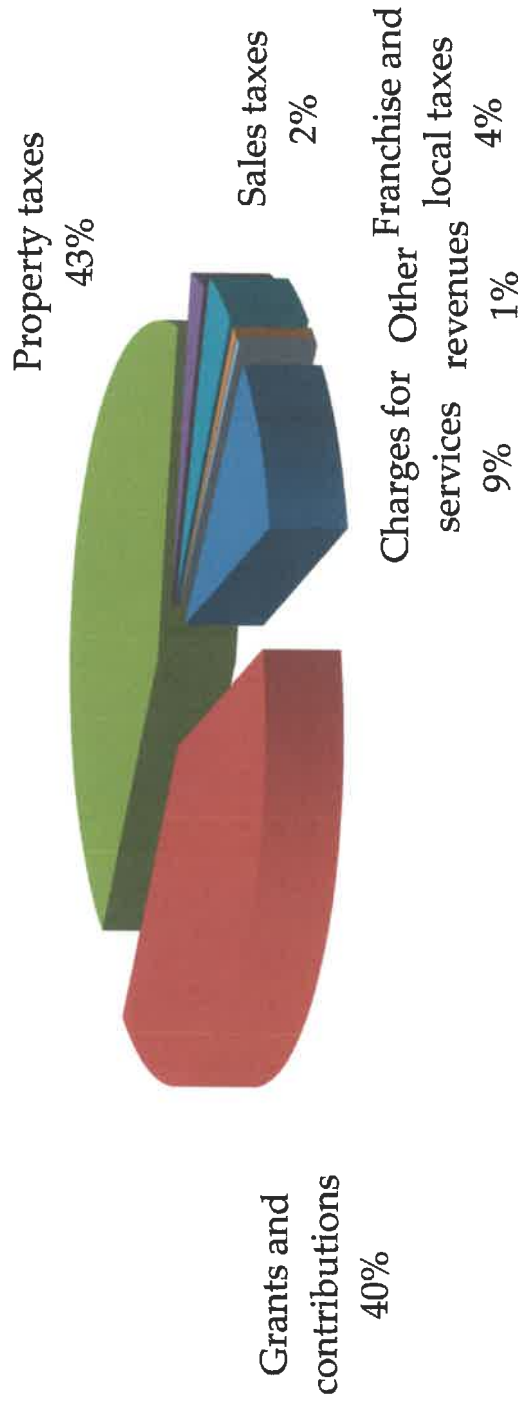
REFERENCE AFR – PAGE 19, 20, 22, 26 & 70

- ❖ Total assets exceeded total liabilities by \$50,427,501.
- ❖ The City's total net position increased by \$3,144,735.
- ❖ City's governmental funds reported combined ending fund balances of \$5,822,900, a decrease of \$470,821.
- ❖ Unassigned fund balance for the general fund was \$4,227,199 or 136% of total general fund expenditures.
- ❖ The City's net pension liability totaled \$869,324 as of year end, an increase of \$215,260.

GOVERNMENTAL REVENUES BY CATEGORY

REFERENCE AFR – PAGE 13

Governmental Activities - Revenues



- ❖ Property taxes were \$2,464,754, 43%
- ❖ Grants & contributions were \$2,297,691, 40%

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/2016 - REFERENCE AFR PAGE 26

	General	Debt Service	Capital Projects	Nonmajor Volunteer Fire Department
<u>Revenues</u>				
Total Revenues	\$ 2,894,056	\$ 559,225	\$ 4,399	\$ 64,179
<u>Expenditures</u>				
Total Expenditures	3,117,320	535,560	295,842	43,958
Net Change in Fund Balances	(223,264)	23,665	(291,443)	20,221
Beginning fund balances	4,591,773	101,972	1,447,660	152,316
Ending Fund Balances	<u>\$ 4,368,509</u>	<u>\$ 125,637</u>	<u>\$ 1,156,217</u>	<u>\$ 172,537</u>

*Unassigned fund balance for the general fund was \$4,227,199 or 136% of total general fund expenditures.

SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE (Budget & Actual)

GENERAL FUND – YEAR ENDING 9/30/2016 - REFERENCE AFR PAGE 69

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Total Revenues	3,007,042	3,007,042	2,894,056	(112,986)
<u>Expenditures</u>				
Total Expenditures	3,524,627	3,524,627	3,117,320	407,307
Net Change in Fund Balance	\$ (517,585)	\$ (517,585)	(223,264)	\$ 294,321
Beginning fund balance			4,591,773	
Ending Fund Balance			\$ 4,368,509	

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

PROPRIETARY FUNDS – YEAR ENDING 9/30/2016 – REFERENCE AFR PAGE 31

		Water, Sewer & Sanitation
<u>Operating Revenues</u>		
Total Operating Revenues	\$	3,017,791
<u>Operating Expenses</u>		
Total Operating Expenses		2,706,579
Operating Income		311,212
<u>Nonoperating Revenues (Expenses)</u>		
Investment income		2,318
Interest expense		(77,864)
Contributed capital assets from developer		1,858,314
Loss on capital assets disposed		(282,417)
Total Nonoperating Revenues (Expenses)		1,500,351
Change in Net Position		1,811,563
Beginning net position		11,271,986
Ending Net Position	\$	13,083,549

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDING 9/30/2016 - REFERENCE AFR PAGE 70

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/14	\$ 2,810,522	\$ 2,156,458	\$ 654,064
Changes for the year:			
Service cost	142,149	-	142,149
Interest	196,185	-	196,185
Difference between expected and actual experience	(2,192)	-	(2,192)
Contributions - employer	-	132,625	(132,625)
Contributions - employee	-	68,124	(68,124)
Net investment income	-	3,182	(3,182)
Change in assumptions	81,015	-	81,015
Benefit payments, including refunds of emp. contributions	(157,911)	(157,911)	-
Administrative expense	-	(1,938)	1,938
Other changes	-	(96)	96
Net changes	259,246	43,986	215,260
Balance at 12/31/15	\$ 3,069,768	\$ 2,200,444	\$ 869,324

- ❖ The actuary has reduced the estimated long-term earnings rate from 7% to 6.75% to account for inflation.
- ❖ The City's current funded ratio is 72%, 70% is considered adequate by Fitch Ratings. Less than 60% is considered weak.
- ❖ The City's contribution rates for three years (2017 - 2015) are 12.23%, 11.20%, 11.68%

CONCLUSION

Other Reports and Questions

Presented By: Jon Watson, CPA
February 7, 2017

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ANDREW MATA, JR., P.E.
JOSEPH T. GRAJEWSKI, III, P.E.
DEREK B. CHANEY, P.E.
CRAIG M. KERKHOFF, P.E.

January 17, 2017

Mr. Jeff Flanigan
City Administrator
City of Parker
5800 East Parker Road
Parker Texas 75002

Re: Parker Storage

Dear Mr. Flanigan:

We have reviewed the Self Storage plans dated January 2017 and find that the developer has addressed the two outstanding items. The drainage channel on the north side of the development has been detailed with sections and plan profile showing that the channel has adequate capacity with free board to convey the design storm. The detention pond has been modified to contain the design storm including freeboard. The driveways to the storage buildings are no longer being inundated with storm water from the pond. Also the spillway elevation has been adjusted to the 100 year water surface.

We offer no further design concerns for this development. Enclosed are the January 2017 construction plans along with another copy of the flood study. We are available at your convenience to discuss any questions you may have with this review.

Sincerely,



John W. Birkhoff, P.E.

Enclosure

Exhibit 2



515 NORTH TRAVIS | PO BOX 1316
SHERMAN, TEXAS 75091
WWW.SHELBYLAWPLLC.COM
PHONE 903.357.5101

MEMORANDUM

TO: MAYOR – CITY OF PARKER
FROM: BRANDON S. SHELBY – SHELBY LAW, PLLC
DATE: JANUARY 31, 2017
RE: COUNCIL PAY

Compensation for council members in a general law city is governed by Local Government Code § 141.001, which states:

Sec. 141.001. ELECTED AND APPOINTED OFFICERS IN TYPE A GENERAL-LAW MUNICIPALITIES.

(a) On or before January 1 preceding a regular municipal election, the governing body of a Type A general-law municipality shall set:

- (1) the salary and any fees of office of the mayor to be elected at that election, if the office of mayor is to be filled at the election;
- (2) the compensation of each other elected officer to be elected at that election; and
- (3) the compensation of each officer appointed by the governing body.

(b) An officer's compensation set under this section may not be changed during the term for which the officer is elected or appointed.

Congress may not have set the level of compensation, but it has set out clear instructions on how to implement it. On or before January 1 in a given year council may establish the level of compensation for the offices up for election in the next regular municipal election. It may set the compensation for those offices being elected and any offices being appointed only. Once set, compensation may not be changed during that offices current term.

There are arguments both in favor of council pay and in opposition. The most practical argument for council pay is that it may afford some level of protection from personal liability for council members when acting in their official capacity. Pursuant to the Texas Tort Claims Act, an employee who is sued individually may file a motion requiring the plaintiff to dismiss them from the suit and name the governmental entity as a defendant in their place, so long as the employee is being sued for an act done in the course and scope of employment. *See Tex. Civ. Prac. & Rem Code § 101.106(f)*. The term "employee" is defined elsewhere in the statute as

“a person, including an officer or agent, who is in the paid service of a governmental unit by competent authority, but does not include an independent contractor, an agent or employee of an independent contractor, or a person who performs tasks the details of which the governmental unit does not have the legal right to control.”

The Texas Supreme Court has yet to rule on this matter, but lower Courts have accepted the argument that a paid council member or mayor is an “employee” for the purpose of the Tort Claims Act. Thus, providing at least nominal pay to members of the governing body may entitle them to the same protections as paid employees if they are in the course and scope of their work as elected officials, and may lead to the quick dismissal of such individual defendants from a lawsuit.

The strongest practical argument against council pay is it prevents a sitting council member from running for state legislature during his or her current term. Article III, Section 19 of the Texas Constitution forbids a holder of a “lucrative office” from being eligible for the Legislature. The Courts have ruled that even a nominally compensated council position is a “lucrative office” at least as far as this particular Constitutional provision is concerned. A council member or mayor who is paid would have to resign from office to run for Congress. Under the current system, a Parker council member or mayor could run for office without resigning first. Of course, he or she would automatically forfeit office to assume a role with Congress if elected.