

**MINUTES**  
**CITY COUNCIL MEETING**  
**FEBRUARY 6, 2018**

**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. Councilmembers Scott Levine, Cindy Meyer, Lee Pettie, Cleburne Raney, and Ed Standridge were present.

Staff Present: City Administrator Jeff Flanigan, Finance/H.R. Manager Johnna Boyd, City Secretary Patti Scott Grey, City Attorney Brandon Shelby (arrived 8:10 p.m.), and Police Chief Richard Brooks

Mayor Marshall said City Attorney Shelby was stuck in traffic on U.S. Highway 75 north of Anna, Texas, due to a weather related car accident.

**PLEDGE OF ALLEGIANCE**

AMERICAN PLEDGE: Mayor Pro Tem Scott Levine led the pledge.

TEXAS PLEDGE: Councilmember Lee Pettie 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.

Stacy Patrick, 5202 Ravensthorpe Drive, resident and Vice President of Fundraising for the Parker Women's Club (PWC), said she is also handling PWC communications. On behalf of the PWC, Ms. Patrick asked City Council to revisit the City Policy, limiting use of the City's email notifications (E-blasts) to City business. PWC is the only organization in the City that supports the City financially and provides benefits to the community. The City's email notifications system would allow PWC to get fundraising and scholarship information to Parker residents. (See Exhibit 1 – Bylaws of Parker Women's Club (PWC, ARTICLE 2 NONPROFIT PURPOSES.)

**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 JANUARY 17, 2018. [SCOTT GREY]
2. REPUBLIC WASTE QUARTERLY REPORT. [BERNAS]
3. CONSIDERATION AND/OR ANY APPROPRIATE ACTION, ACCEPTING THE 2017 RACIAL PROFILING REPORT. [BROOKS]

MOTION: Councilmember Standridge moved to approve the consent agenda items, as presented. Councilmember Raney seconded with Councilmembers Levine, Meyer, Pettie, Raney, and Standridge voting for the motion. Motion carried 5-0.

## INDIVIDUAL CONSIDERATION ITEMS

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

Finance/H.R. Manager Johnna Boyd introduced Jon Watson, CPA, with BrooksWatson & Co., PLLC.

Mr. Watson stated his name and firm's address, 114950 Heathrow Forest Pkwy., Suite 530, Houston, TX 77032, for the record. He said the 2017 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; city revenues – governmental activities; 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 2 – The City of Parker Annual Financial Report for Fiscal Year Ended September 30, 2017 and Parker, Texas Audit Presentation, September 30, 2017, dated February 6, 2018.)

Mr. Watson noted the City of Parker received an unmodified opinion, which is the highest level of assurance; has approximately 15 months in reserves for operating expenditures; and the pension plan is fully funded with a funded ratio of 72%, which is adequate by Fitch ratings.

Councilmember Standridge commended City Staff and Jon Watson, CPA, with BrooksWatson & Co., PLLC, for a good job on the audit. The Mayor and City Council agreed.

MOTION: Councilmember Standridge moved to accept the annual audit or Annual Financial Report of the City of Parker, Texas, for the year ended September 30, 2017, as presented. Councilmember Raney seconded with Councilmembers Levine, Meyer, Pettie, Raney, and Standridge voting for the motion. Motion carried 5-0.

### 5. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON RESOLUTION NO. 2018-563, APPROVING A CONTRACT FOR ARCHITECTURAL SERVICES WITH RANDALL SCOTT ARCHITECTS. [SHELBY]

Mayor Marshall apologized to Founding Principal and CEO Randall B. Scott, AIA of Randall Scott Architects, Inc. Architecture/Interiors/Planning, stating City Attorney Shelby needed to be present for a review of the architectural services contract. Mr. Marshall asked Mr. Scott if he would rather postpone the item to another meeting or skip the item temporarily until the City Attorney arrived. Mr. Scott said he was willing to wait.

### 6. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON REPUBLIC SERVICES RESIDENTIAL TRASH AND RECYCLE REROUTE. [BERNAS]

Republic Services, Inc. Division Municipal Services Manager Rick Bernas requested a change for residential trash and recycling pickup for residences east of Dillehay

and Hogge [FM2551]. Effective March 1, 2018, residences east of Dillehay and Hogge [FM2551] would move to a Friday pickup day. To hopefully lessen confusion, Republic Services, Inc. planned to send out postcards to the affected area and place signs at intersections.

For clarification purposes, west of Dillehay and Hogge [FM2551] bulk trash begins on the third Monday of each month, while residential trash and recycling pickup will remain the same with a Thursday pickup each week.

East of Dillehay and Hogge [FM2551] bulk trash begins on the fourth Monday of each month and residential trash and recycling pickup will move to a Friday pickup each week, effective March 1, 2018.

Holiday pickup will be on Saturday, as needed.

MOTION: Councilmember Raney moved to approve Republic Services, Inc.'s request for a residential trash and recycling change/re-route, effective March 1, 2018. Councilmember Standridge seconded with Councilmembers Levine, Meyer, Pettie, Raney, and Standridge voting for the motion. Motion carried 5-0.

7. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON ORDINANCE NO. 757, CALLING FOR A SPECIAL ELECTION FOR THE PURPOSE OF THE ADOPTION OF A LOCAL SALES AND USE TAX AT A RATE OF TWO PERCENT (2%) FOR MUNICIPAL PURPOSES IN CONJUNCTION WITH THE GENERAL ELECTION TO BE HELD ON SATURDAY, MAY 5, 2018 TO ELECT TWO (2) CITY COUNCIL MEMBERS AT-LARGE AND A MAYOR; 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]

Councilmember Meyer asked if there was a way to give the Parker residents a choice on the special election ballot with regard to the local sales and use tax rate increase. Ms. Meyer said she felt the item got "high jacked" when the increase she initiated was designated to the general fund rather than a property tax reduction and she felt citizens should have a choice.

The Mayor and others were concerned about the timeliness, considering the city needed to order the election not later than the 78<sup>th</sup> day before the Election Day [EC§3.0005(c)], February 16, which was prior to the next regularly scheduled City Council meeting February 20, 2018.

Councilmember Meyer was told she had the option to make a motion to make certain changes, motion to table the item, or motion to move forward as presented.

Councilmember Standridge said he took exception to Ms. Meyer's remark that the item was "high jacked". He said he felt City Council took a great deal of time exploring the best solution for the City and decided the funds generated from the increased sales tax would go into the City's General Fund subject to voter approval.

Ms. Meyer said she would like the citizens of Parker to have a choice, but she was not interested in delaying the ordering of the election.

The Mayor and City Council decided to recess the meeting to allow the City Attorney time to get to the City Council meeting.

Mayor Marshall recessed the regular meeting at 8:02 p.m.

City Attorney Shelby arrived. Mayor Marshall reconvened the regular meeting at 8:10 p.m.

Mayor Marshall briefed City Attorney Shelby and asked Councilmember Meyer if he covered everything or if she had anything to add. Ms. Meyer said she would like the citizens of Parker to have a choice or option on how the increase in sales taxes would be used, either going into the City's General Fund or used for property tax reduction.

City Attorney Shelby said when he researched the matter there was no real guidance either in the election or tax codes in regard to having options on the ballot. Mr. Shelby explained the consequences of having both options on the ballot and both options passed.

**MOTION:** Councilmember Standridge moved to approve Ordinance No. 757, calling for a special election for the purpose of the adoption of a local sales and use tax at a rate of two percent (2%) for municipal purposes in conjunction with the general election to be held on Saturday, May 5, 2018 to elect two (2) city council members at-large and a mayor; 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. Councilmember Raney seconded with Councilmembers Levine, Meyer, Pettie, Raney, and Standridge voting for the motion. Motion carried 5-0.

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
<i>April 22</i>	<i>April 23</i> <b>8am – 5pm</b>	<i>April 24</i> <b>8am – 5pm</b>	<i>April 25</i> <b>8am – 5pm</b>	<i>April 26</i> <b>8am - 7pm</b>	<i>April 27</i> <b>8am - 5pm</b>	<i>April 28</i> <b>8am - 5pm</b>
<i>April 29</i>	<i>April 30</i> <b>7am – 7pm</b>	<i>May 1</i> <b>7am – 7pm</b>	<i>May 2</i>	<i>May 3</i>	<i>May 4</i>	<i>May 5</i> <b>7am – 7pm</b> <b>Election Day</b>

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

Mayor Marshall went back to item #8, which was skipped earlier in the meeting.

**5. CONSIDERATION AND/OR ANY APPROPRIATE ACTION ON RESOLUTION NO. 2018-563, APPROVING A CONTRACT FOR ARCHITECTURAL SERVICES WITH RANDALL SCOTT ARCHITECTS. [SHELBY]**

City Attorney Shelby reviewed the item, stating this was a standard contract.

Founding Principal and CEO Randall B. Scott, AIA of Randall Scott Architects, Inc. Architecture/Interiors/Planning came forward and stated his name and address, 2140 Lake Park Blvd. Suite 300, Richardson, TX. 75080, for the record. He responded to questions.

City Council asked that Exhibit A to the AIA B101-2007 Owner Architect agreement Page 8, Section VI. Professional Fees, D. Reimbursable Expenses be amended changing 15% to 10% and Page 8, Section VIII. Other Conditions A. be deleted, as follows:

## **VI. PROFESSIONAL FEES**

### **D. REIMBURSABLE EXPENSES**

Reimbursable Expenses constitute expenses incurred on the City's behalf by RSA and/or our Consultants. These expenses include, but are not limited to: reproduction of preliminary and final documents, mounting and laminating of presentation boards, Agency Review fees, hotel, meals and per diem expenses, mileage, air fare, rental cars, overnight express, courier services and postage. Reimbursable expenses shall be **marked up 15% 10%** to cover RSA's handling costs and billed to the Owner **in addition to any Basic and Additional Services** incurred on the project.

### **VII. OTHER CONDITIONS**

~~A. This Proposal is valid for 30 days from the date at the top of the first page of this document unless included as an attachment to a fully executed purchase order and an AIA B101-2007 Owner Architect Agreement prior to that date.~~

Mr. Scott said that was not a problem.

MOTION: Councilmember Standridge moved to approve Resolution No. 2018-563, approving an agreement/a contract, as amended, for architectural services with Randall Scott Architects (See Exhibit 3 – Exhibit A to the AIA B101-2001 Owner Architect Agreement - Amended.). Councilmember Raney seconded with Councilmembers Levine, Meyer, Pettie, Raney, and Standridge voting for the motion. Motion carried 5-0.

Mayor Marshall thanked Mr. Scott for his patience.

## **ROUTINE ITEMS**

### **8. FUTURE AGENDA ITEMS**

Mayor Marshall asked if there were any items to be added to the future agenda. He noted Parker Women's Club email notifications (E-blasts) and March 6, 2018 Regular City Council meeting cancelation, due to Primary Election day voting. Councilmember Meyer requested an item, regarding speed limits and signage be added. The Mayor said the next regularly scheduled meeting would be Tuesday, February 20, 2018 and noted the following reminders.

### **REMINDER(S):**

- An email requesting vacation schedules will be sent soon. Have your schedule ready!
- March 6, 2018 – Primary Election

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Feb 18	Feb 19 <i>President's Day</i>	Feb 20 Early Voting 8am–5pm	Feb 21 Early Voting 8am–5pm	Feb 22 Early Voting 8am–5pm	Feb 23 Early Voting 8am–5pm	Feb 24 Early Voting 7am–7pm
Feb 25 Early Voting 1pm–6pm	Feb 26 Early Voting 7am–7pm	Feb 27 Early Voting 7am–7pm	Feb 28 Early Voting 7am–7pm	Mar 1 Early Voting 7am–7pm	Mar 2 Early Voting 7am–7pm	Mar 3

- May 5, 2018 – General & Special Election (EV and ED Info)

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Apr 22	Apr 23 Early Voting 8am to 5pm	Apr 24 Early Voting 8am to 5pm	Apr 25 Early Voting 8am to 5pm	Apr 26 Early Voting 8am to 7pm	Apr. 27 Early Voting 8am to 5pm	Apr. 28 Early Voting 8am to 5pm
Apr 29	Apr 30 Early Voting 7am to 7pm	May 1 Early Voting 7am to 7pm	May 2	May 3	May 4	May 5 Election Day 7am to 7pm

- PROJECTED 2018 TAX RATE PLANNING CALENDAR

Mayor Marshall stated he would not be filing an application for another term as Mayor and how much he enjoyed being the Mayor of Parker, Texas. He thanked everyone for their support.

## 9. ADJOURN


Mayor Marshall adjourned the meeting at 8:41 p.m.



ATTESTED:

  
Patti Scott Grey, City Secretary

APPROVED:

  
Mayor Z. Marshall

Approved on the 20th day  
of February, 2018.

## ARTICLE 2 NONPROFIT PURPOSES

2.01. Tax Exemption. The Corporation is organized exclusively for one or more of the purposes specified in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code.

2.02. Specific Objectives and Purposes. The Corporation is organized and shall be operated exclusively for charitable and educational lawful purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any corresponding section of any future federal tax code, and within the meaning of the Texas Tax Code, or any corresponding section of any future Texas Tax Code. Notwithstanding the foregoing, the Corporation's purposes also include the limited participation of the Corporation in any other activities, including taxable activities, but only to the extent the activities would be permitted by a tax-exempt organization.

More particularly, but without limitation, the purposes of this Corporation are as follows:

- (a) To provide an opportunity for the women of Parker, Texas to support their city through community service, charity, and fellowship.
- (b) To unite the women of Parker, Texas through the operation of a non-partisan and non-sectarian club.
- (c) To complete community service activities to benefit the city and citizens of Parker, Texas.
- (d) To disburse one or more donations annually to the Parker Volunteer Fire Department.
- (e) To disburse one or more scholarships annually to a graduating high school senior(s), who is a resident of Parker, Texas.

*ANNUAL FINANCIAL REPORT*

of the

**City of Parker, Texas**

**For the Year Ended  
September 30, 2017**

(This page intentionally left blank.)

# City of Parker, Texas

## TABLE OF CONTENTS

September 30, 2017

### FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	5

### Basic Financial Statements

#### **Government-Wide Financial Statements**

Statement of Net Position	19
Statement of Activities	20

#### **Fund Financial Statements**

##### **Governmental Funds:**

Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29

##### **Proprietary Funds:**

Statement of Net Position	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	31
Statement of Cash Flows	32

Notes to the Financial Statements	35
-----------------------------------	----

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	69
Schedule of Changes in Net Pension Liability and Related Ratios	70
Schedule of Employer Contributions to Pension Plan	71

(This page intentionally left blank.)



## ***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, 2017, 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, 2017, 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.

### *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.



Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
December 15, 2017

(This page intentionally left blank.)

(This page intentionally left blank.)

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

(This page intentionally left blank.)

# City of Parker, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2017

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, 2017.

### **Financial Highlights**

- The City's total combined net position is \$53,601,929 at September 30, 2017. Of this, \$5,942,280 (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 \$5,548,992, a decrease of \$273,908.
- As of the end of the year, the unassigned fund balance of the general fund was \$4,301,687 or 128% of total general fund expenditures.
- The City had an overall increase in net position of \$3,174,428, 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 \$490,932 for the year. The actual activity resulted in an increase in the fund balance for the general fund of \$75,443. This resulted in a positive overall variance between budget to actual of \$566,375.

### **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, 2017

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, 2017

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 four 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 \$53,601,929 as of September 30, 2017, in the primary government.

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2017**

The largest portion of the City's net position, \$47,248,503, 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, 2017 and September 30, 2016 were \$37,423,603 and \$35,581,699, respectively. The increase of \$1,841,904 net of depreciation expense was primarily attributable to street developments contributed by a developer for \$2,039,893.

Capital assets of Business-Type Activities as of September 30, 2017 and September 30, 2016 were \$14,188,842 and \$13,387,542, respectively. The increase of \$801,300 net of depreciation expense was primarily attributable to water system developments contributed by a developer for \$1,089,994.

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2017**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,989,455	\$ 2,766,305	\$ 8,755,760	\$ 6,243,391	\$ 2,294,240	\$ 8,537,631
Capital assets, net	37,423,603	14,188,842	51,612,445	35,581,699	13,387,542	48,969,241
<b>Total Assets</b>	<b>43,413,058</b>	<b>16,955,147</b>	<b>60,368,205</b>	<b>41,825,090</b>	<b>15,681,782</b>	<b>57,506,872</b>
<b>Deferred Outflows of Resources</b>	<b>286,844</b>	<b>120,036</b>	<b>406,880</b>	<b>282,461</b>	<b>122,507</b>	<b>404,968</b>
Other liabilities	824,995	322,511	1,147,506	747,077	473,832	1,220,909
Long-term liabilities	3,651,462	2,374,188	6,025,650	4,016,522	2,246,908	6,263,430
<b>Total Liabilities</b>	<b>4,476,457</b>	<b>2,696,699</b>	<b>7,173,156</b>	<b>4,763,599</b>	<b>2,720,740</b>	<b>7,484,339</b>
Net Position:						
Net investment in capital assets	35,049,355	12,199,148	47,248,503	32,994,475	11,049,492	44,043,967
Restricted	411,146	-	411,146	335,216	-	335,216
Unrestricted	3,762,944	2,179,336	5,942,280	4,014,261	2,034,057	6,048,318
<b>Total Net Position</b>	<b>\$ 39,223,445</b>	<b>\$ 14,378,484</b>	<b>\$ 53,601,929</b>	<b>\$ 37,343,952</b>	<b>\$ 13,083,549</b>	<b>\$ 50,427,501</b>

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2017**

**Statement of Activities:**

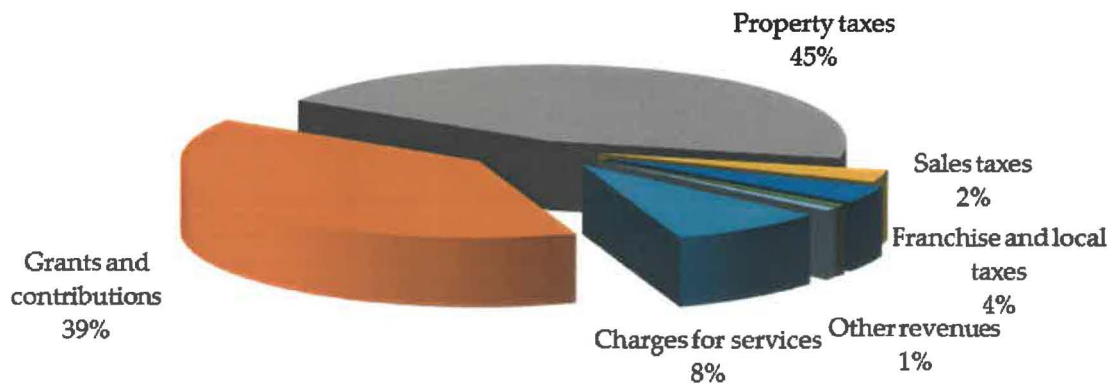
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 551,181	\$ 3,335,129	\$ 3,886,310	\$ 532,320	\$ 3,017,791	\$ 3,550,111
Grants and contributions	2,538,775	1,153,003	3,691,778	2,297,691	1,858,314	4,156,005
<b>General revenues:</b>						
Property taxes	2,880,063	-	2,880,063	2,464,754	-	2,464,754
Sales taxes	165,955	-	165,955	142,183	-	142,183
Franchise and local taxes	234,695	-	234,695	249,279	-	249,279
Investment income	40,325	5,566	45,891	37,232	2,318	39,550
Other revenues	46,897	-	46,897	31,270	-	31,270
<b>Total Revenues</b>	<b>6,457,891</b>	<b>4,493,698</b>	<b>10,951,589</b>	<b>5,754,729</b>	<b>4,878,423</b>	<b>10,633,152</b>
<b>Expenses</b>						
General government	1,159,896	-	1,159,896	1,106,990	-	1,106,990
Public safety	1,248,114	-	1,248,114	1,177,661	-	1,177,661
Transportation	2,058,896	-	2,058,896	2,015,044	-	2,015,044
Culture and recreation	10,618	-	10,618	10,618	-	10,618
Interest and fiscal charges	100,874	74,350	175,224	111,244	77,864	189,108
Water, sewer, & sanitation	-	3,124,413	3,124,413	-	2,988,996	2,988,996
<b>Total Expenses</b>	<b>4,578,398</b>	<b>3,198,763</b>	<b>7,777,161</b>	<b>4,421,557</b>	<b>3,066,860</b>	<b>7,488,417</b>
<b>Change in Net Position</b>	<b>1,879,493</b>	<b>1,294,935</b>	<b>3,174,428</b>	<b>1,333,172</b>	<b>1,811,563</b>	<b>3,144,735</b>
<b>Beginning Net Position</b>	<b>37,343,952</b>	<b>13,083,549</b>	<b>50,427,501</b>	<b>36,010,780</b>	<b>11,271,986</b>	<b>47,282,766</b>
<b>Ending Net Position</b>	<b>\$ 39,223,445</b>	<b>\$ 14,378,484</b>	<b>\$ 53,601,929</b>	<b>\$ 37,343,952</b>	<b>\$ 13,083,549</b>	<b>\$ 50,427,501</b>

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2017**

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

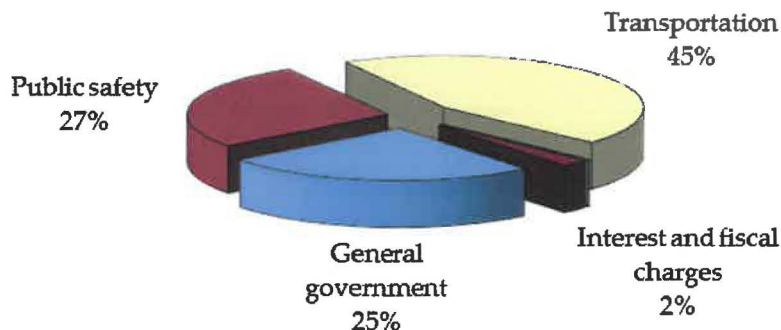
**Governmental Activities - Revenues**



For the year ended September 30, 2017, revenues from governmental activities totaled \$6,457,891. Property tax and grants and contributions are the City's largest revenue sources. Property tax increased \$415,309 or 17% due to an increase to the taxable appraisal value of properties and an increase in the tax rate. Grants and contributions decreased \$241,084 or 10% due to more significant streets development contributions received in the prior year. Sales tax revenues increased \$23,772 or 17% due to increased economic growth. Other revenues increased \$15,627 or 50% due to supplemental insurance reimbursements received for hail damage in the current 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**



# City of Parker, Texas

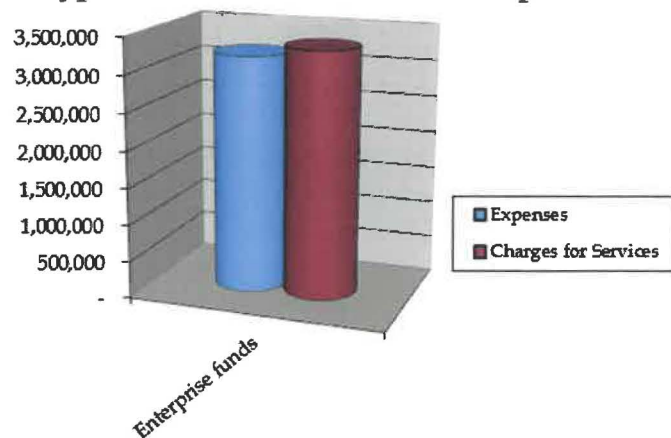
## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

For the year ended September 30, 2017, expenses for governmental activities totaled \$4,578,398. This represents an increase of \$156,841 or 4% from the prior year. The City's largest functional expense is transportation for \$2,058,896, which is primarily depreciation of transportation related assets. Transportation expenses increased by \$43,852 or 2% from prior year. The increase was primarily a result of additional depreciation on capital assets put into service during the year. General government expenses increased by \$52,906 or 5%, which is primarily a result of the increase in economic development expenses and pension liability expenses. Public safety expenses increased by \$70,453 or 6% due to the increase in wages and employee benefits.

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

**Business-Type Activities - Revenues and Expenses**



For the year ended September 30, 2017, charges for services by business-type activities totaled \$3,335,129. This is an increase of \$317,338, or 11% from the previous year. This increase directly relates to increases in the water rates and usage compared to prior year.

Total expenses increased \$131,903 or 4% 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.

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2017**

As of the end of the year the general fund reflected a total fund balance of \$4,443,952. Of this, \$37,900 is restricted for municipal court and \$104,268 is committed for capital improvements. The unassigned fund balance totaled \$4,301,687 as of year end.

As of September 30, 2017, the debt service fund reflected a fund balance of \$145,368, an increase of \$19,731 from the prior year.

As of September 30, 2017, the capital projects fund reflected a fund balance of \$731,891, a decrease of \$424,326 from the prior year. This decrease is primarily due to the significant capital outlay expenditures incurred in the current year.

There was a decrease in governmental fund balance of \$273,908 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.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive budget variance of \$566,375 in the general fund. This was primarily the result of positive expenditure variances totaling \$599,218. All expenditures were less than budgeted.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$37,423,603 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 \$14,188,842 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 \$1,089,994.
- Streets developments contributed by developer for \$2,039,893.
- Streets improvements of \$1,234,790.
- Excavation expenses totaling \$402,104.
- Water line improvements of \$101,365.

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

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2017**

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds outstanding of \$5,235,000. During the year, the outstanding principal balances on these bonds decreased by \$685,000. 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.

**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***

(This page intentionally left blank.)

**City of Parker, Texas**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 3,376,860	\$ 2,391,732	\$ 5,768,592
Investments	2,422,815	-	2,422,815
Receivables, net	189,780	370,416	560,196
Prepaid expenses	-	4,157	4,157
<b>Total Current Assets</b>	<b>5,989,455</b>	<b>2,766,305</b>	<b>8,755,760</b>
Capital assets:			
Non-depreciable	843,484	107,417	950,901
Net depreciable capital assets	36,580,119	14,081,425	50,661,544
	37,423,603	14,188,842	51,612,445
<b>Total Assets</b>	<b>43,413,058</b>	<b>16,955,147</b>	<b>60,368,205</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	91,106	25,252	116,358
Pension investment earnings	77,740	21,548	99,288
Pension experience vs. assumptions	55,247	15,313	70,560
Deferred charge on refunding	62,751	57,923	120,674
<b>Total Deferred Outflows of Resources</b>	<b>286,844</b>	<b>120,036</b>	<b>406,880</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	263,733	239,821	503,554
Customer deposits	63,000	-	63,000
Accrued interest payable	12,802	10,741	23,543
Unearned grant revenue	-	175,847	175,847
Noncurrent liabilities due within one year	485,460	306,784	792,244
	824,995	733,193	1,558,188
Noncurrent liabilities:			
Due in more than one year	2,918,568	1,760,365	4,678,933
Net pension liability	732,894	203,141	936,035
	3,651,462	1,963,506	5,614,968
<b>Total Liabilities</b>	<b>4,476,457</b>	<b>2,696,699</b>	<b>7,173,156</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	35,049,355	12,199,148	47,248,503
Restricted	411,146	-	411,146
Unrestricted	3,762,944	2,179,336	5,942,280
<b>Total Net Position</b>	<b>\$ 39,223,445</b>	<b>\$ 14,378,484</b>	<b>\$ 53,601,929</b>

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,159,896	\$ 393,751	\$ 9,454	\$ -
Public safety	1,248,114	157,430	-	67,445
Transportation	2,058,896	-	-	2,461,876
Culture and recreation	10,618	-	-	-
Interest and fiscal charges	100,874	-	-	-
<b>Total Governmental Activities</b>	<u>4,578,398</u>	<u>551,181</u>	<u>9,454</u>	<u>2,529,321</u>
<b>Business-Type Activities</b>				
Water, Sewer, & Sanitation	3,198,763	3,335,129	-	1,153,003
<b>Total Business-Type Activities</b>	<u>3,198,763</u>	<u>3,335,129</u>	<u>-</u>	<u>1,153,003</u>
<b>Total Primary Government</b>	<u>\$ 7,777,161</u>	<u>\$ 3,886,310</u>	<u>\$ 9,454</u>	<u>\$ 3,682,324</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**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (756,691)	\$ -	\$ (756,691)
(1,023,239)	-	(1,023,239)
402,980	-	402,980
(10,618)	-	(10,618)
(100,874)	-	(100,874)
(1,488,442)	-	(1,488,442)
-	1,289,369	1,289,369
-	1,289,369	1,289,369
(1,488,442)	1,289,369	(199,073)
2,880,063	-	2,880,063
165,955	-	165,955
234,695	-	234,695
40,325	5,566	45,891
46,897	-	46,897
3,367,935	5,566	3,373,501
1,879,493	1,294,935	3,174,428
37,343,952	13,083,549	50,427,501
\$ 39,223,445	\$ 14,378,484	\$ 53,601,929

# City of Parker, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	General	Debt Service	Capital Projects
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 2,176,435	\$ 145,368	\$ 893,404
Investments	2,356,256	-	-
Receivables, net	180,514	9,266	-
Due from other funds	35,092	-	-
<b>Total Assets</b>	<b>\$ 4,748,297</b>	<b>\$ 154,634</b>	<b>\$ 893,404</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 136,881	\$ -	\$ 126,421
Customer deposits	63,000	-	-
Due to other funds	-	-	35,092
<b>Total Liabilities</b>	<b>199,881</b>	<b>-</b>	<b>161,513</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	34,845	9,266	-
Unavailable revenue - franchise taxes	69,619	-	-
<b>Total Deferred Inflows of Resources</b>	<b>104,464</b>	<b>9,266</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Restricted for:			
Municipal court	37,900	-	-
Police seizures	97	-	-
Debt service	-	145,368	-
Capital projects	-	-	731,891
Fire department	-	-	-
Committed for:			
Capital improvements	104,268	-	-
Unassigned reported in:			
General fund	4,301,687	-	-
<b>Total Fund Balances</b>	<b>4,443,952</b>	<b>145,368</b>	<b>731,891</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,748,297</b>	<b>\$ 354,515</b>	<b>\$ 931,772</b>

See Notes to Financial Statements.

<u>Nonmajor Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
\$ 161,653	\$ 3,376,860
66,559	2,422,815
-	189,780
-	35,092
<u>\$ 228,212</u>	<u>\$ 6,024,547</u>

\$ 431	\$ 263,733
-	63,000
-	35,092
<u>431</u>	<u>361,825</u>

-	44,111
-	69,619
<u>-</u>	<u>113,730</u>

-	37,900
-	97
-	145,368
-	731,891
227,781	227,781

-	104,268
---	---------

-	4,301,687
<u>227,781</u>	<u>5,548,992</u>

<u>\$ 427,662</u>	<u>\$ 5,862,603</u>
-------------------	---------------------

(This page intentionally left blank)

**City of Parker, Texas**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2017**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 5,548,992</b>
---	---------------------

**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	36,580,119

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property taxes	44,111
Franchise taxes	69,619

Deferred outflows of resources, represent a consumption of net position that applies applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.

Deferred charge on refunding	62,751
Pension contributions	91,106
Pension investment earnings	77,740
Pension experience vs. assumptions	55,247

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(12,802)
Bond premium	(68,128)
Net pension liability	(732,894)
Non-current liabilities due in one year	(485,460)
Non-current liabilities due in more than one year	(2,850,440)

<b>Net Position of Governmental Activities</b>	<b>\$ 39,223,445</b>
--	----------------------

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, 2017

	General	Debt Service	Capital Projects
<b><u>Revenues</u></b>			
Property tax	\$ 2,384,229	\$ 528,196	\$ -
Sales tax	165,955	-	-
Franchise and local taxes	238,138	-	-
License and permits	393,751	-	-
Contributions and donations	690	-	421,983
Intergovernmental	9,454	-	-
Fines and forfeitures	157,430	-	-
Investment income	33,163	-	6,988
Other revenue	15,575	-	-
<b>Total Revenues</b>	<u>3,398,385</u>	<u>528,196</u>	<u>428,971</u>
<b><u>Expenditures</u></b>			
Current:			
General government	705,707	-	-
Police department	974,307	-	-
Municipal court	147,498	-	-
Fire department	341,032	-	-
Building and code enforcement	120,021	-	-
Public works	965,347	-	-
City property	94,941	-	-
Capital outlay	-	-	853,297
Debt Service:			
Principal	-	403,575	-
Interest and fiscal charges	-	104,890	-
<b>Total Expenditures</b>	<u>3,348,853</u>	<u>508,465</u>	<u>853,297</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	49,532	19,731	(424,326)
<b><u>Other Financing Sources</u></b>			
Transfers in	-	-	-
Transfers (out)	(4,125)	-	-
Insurance recovery proceeds	30,036	-	-
<b>Net Change in Fund Balances</b>	75,443	19,731	(424,326)
Beginning fund balances	4,368,509	125,637	1,156,217
<b>Ending Fund Balances</b>	<u>\$ 4,443,952</u>	<u>\$ 145,368</u>	<u>\$ 731,891</u>

See Notes to Financial Statements.

<u>Nonmajor Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,912,425
-	165,955
-	238,138
-	393,751
66,755	489,428
-	9,454
-	157,430
174	40,325
1,286	16,861
<u>68,215</u>	<u>4,423,767</u>
-	705,707
-	974,307
-	147,498
17,096	358,128
-	120,021
-	965,347
-	94,941
-	853,297
-	403,575
-	104,890
<u>17,096</u>	<u>4,727,711</u>
51,119	(303,944)
4,125	4,125
-	(4,125)
-	30,036
<u>55,244</u>	<u>(273,908)</u>
172,537	5,822,900
<u>\$ 227,781</u>	<u>\$ 5,548,992</u>

(This page intentionally left blank.)

**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, 2017**

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

Net changes in fund balances - total governmental funds	\$ (273,908)
---	--------------

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	1,686,765
Depreciation expense	(1,884,754)

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

Property and franchise taxes	(35,805)
Capital assets contributed from developer	2,039,893

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	(18,143)
Accrued interest	1,409
Pension expense	(42,146)

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	(5,704)
Amortization of premium	8,311
Principal payments	403,575

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,879,493</b>
--	---------------------

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2017**

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 2,391,732
Receivables, net	370,416
Prepaid expenses	4,157
<b>Total Current Assets</b>	<u>2,766,305</u>
<b><u>Noncurrent Assets</u></b>	
Capital assets:	
Non-depreciable	107,417
Net depreciable capital assets	14,081,425
<b>Total Noncurrent Assets</b>	<u>14,188,842</u>
<b>Total Assets</b>	<u>16,955,147</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension contributions	25,252
Pension investment earnings	21,548
Pension actual experience vs. assumptions	15,313
Deferred charge on refunding	57,923
<b>Total Deferred Outflows of Resources</b>	<u>120,036</u>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts payable and accrued liabilities	239,821
Accrued interest	10,741
Unearned grant revenue	175,847
Noncurrent liabilities due within one year	306,784
<b>Total Current Liabilities</b>	<u>733,193</u>
<b><u>Noncurrent Liabilities</u></b>	
Due in more than one year	1,760,365
Net pension liability	203,141
<b>Total Liabilities</b>	<u>2,696,699</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	12,199,148
Unrestricted	2,179,336
<b>Total Net Position</b>	<u>\$ 14,378,484</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, 2017

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Operating Revenues</u></b>	
Water sales	\$ 2,376,618
Sewer revenue	193,587
Garbage collection	314,378
Meter installations	170,500
Grant revenue	63,009
Other revenue	280,046
<b>Total Operating Revenues</b>	<u>3,398,138</u>
<b><u>Operating Expenses</u></b>	
Cost of water	2,162,317
Cost of sewer	247,661
Cost of garbage	290,298
Depreciation	424,137
<b>Total Operating Expenses</b>	<u>3,124,413</u>
<b>Operating Income (Loss)</b>	<u>273,725</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	5,566
Interest expense	(74,350)
Contributed capital assets from developer	1,089,994
<b>Total Nonoperating Revenues (Expenses)</b>	<u>1,021,210</u>
<b>Change in Net Position</b>	1,294,935
Beginning net position	<u>13,083,549</u>
<b>Ending Net Position</b>	<u>\$ 14,378,484</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, 2017**

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 3,376,221
Payments to suppliers and employees	(2,612,526)
<b>Net Cash Provided by Operating Activities</b>	<u>763,695</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(135,443)
Capital grants	175,847
Principal paid on debt	(281,425)
Interest paid on debt	(78,092)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(319,113)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	5,566
<b>Net Cash Provided by Investing Activities</b>	<u>5,566</u>
<b>Net Increase in Cash and Cash Equivalents</b>	450,148
Beginning cash and cash equivalents	<u>1,941,584</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 2,391,732</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, 2017**

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>	
<b><u>to Net Cash Provided by Operating Activities</u></b>	
Operating Income (Loss)	\$ 273,725
Adjustments to reconcile operating income to net cash provided:	
Depreciation	424,137
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	(21,917)
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	72,736
Compensated absences	3,331
Deferred outflows of resources - pension contributions	(2,977)
Deferred outflows of resources - pension investment earnings	7,551
Deferred inflows of resources - experience vs. assumptions	(7,369)
Net pension liability	14,478
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 763,695</b>
 <b><u>Schedule of Non-Cash Capital and Related Financing Activities</u></b>	
Capital assets contributed by developer	\$ 1,089,994

See Notes to Financial Statements.

(This page intentionally left blank.)

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**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, 2017**

**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**  
**September 30, 2017**

Expenditures include general government, police and fire departments, public works, building and code enforcement, and city property. 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. The VFD is reported as a blended component unit because it has no separate board from City Council, and it is financially accountable to the City.

**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.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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 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.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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 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.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**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.

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, 2017, 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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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 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.

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2017

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.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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 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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2017**

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 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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, *Continued***  
**September 30, 2017**

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.

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.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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.

**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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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.

**1. Excess of Expenditures Over Appropriations:**

For the year ended September 30, 2017, 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, 2017, 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	\$ 2,422,815	1.33	N/A
External investment pools	3,057,166	0.07	AAAm
Total fair value	<u>\$ 5,479,981</u>		
Portfolio weighted average maturity		0.63	

*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

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2017

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, 2017, 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, 2017, the market values of pledged securities and FDIC exceeded bank balances.

*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

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2017

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. The investments of the City consist of certificates of deposit and investment pool assets, which are both exempted from presentation within a fair value hierarchy table. As a result, no such table is presented.

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.

#### C. Receivables

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

	General	Debt Service	Water, Sewer & Sanitation	Total
Property taxes	\$ 34,845	\$ 9,266	\$ -	\$ 44,111
Sales tax	27,270	-	-	27,270
Franchise & local taxes	97,290	-	-	97,290
Accounts	-	-	363,196	363,196
Other	21,109	-	-	21,109
<b>Total</b>	<b>\$ 180,514</b>	<b>\$ 9,266</b>	<b>\$ 363,196</b>	<b>\$ 552,976</b>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**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	2,511,929	41,370	-	2,553,299
Infrastructure	45,072,519	3,685,288	-	48,757,807
Total capital assets being depreciated	<u>50,413,143</u>	<u>3,726,658</u>	<u>-</u>	<u>54,139,801</u>
Less accumulated depreciation				
Land improvements	50,180	10,618	-	60,798
Buildings and improvements	651,326	65,450	-	716,776
Vehicles and equipment	1,706,700	145,565	-	1,852,265
Infrastructure	13,266,722	1,663,121	-	14,929,843
Total accumulated depreciation	<u>15,674,928</u>	<u>1,884,754</u>	<u>-</u>	<u>17,559,682</u>
Net capital assets being depreciated	<u>34,738,215</u>	<u>1,841,904</u>	<u>-</u>	<u>36,580,119</u>
<b>Total Capital Assets</b>	<u><u>\$ 35,581,699</u></u>	<u><u>\$ 1,841,904</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,423,603</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 41,697
Public safety	144,706
Public works	1,687,733
Culture and recreation	10,618
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 1,884,754</u></u>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
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	17,009,106	1,196,532	-	18,205,638
Vehicles and equipment	254,122	28,905	-	283,027
Total capital assets being depreciated	<u>17,263,228</u>	<u>1,225,437</u>	<u>-</u>	<u>18,488,665</u>
Less accumulated depreciation				
Water and sewer system	3,731,566	414,168	-	4,145,734
Vehicles and equipment	251,537	9,969	-	261,506
Total accumulated depreciation	<u>3,983,103</u>	<u>424,137</u>	<u>-</u>	<u>4,407,240</u>
Net capital assets being depreciated	<u>13,280,125</u>	<u>801,300</u>	<u>-</u>	<u>14,081,425</u>
<b>Total Capital Assets</b>	<u><u>\$ 13,387,542</u></u>	<u><u>\$ 801,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,188,842</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 418,721
Sewer	5,416
<b>Total Business-Type Activities Depreciation Expense</b>	<u><u>\$ 424,137</u></u>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**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>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,306,515	\$ -	\$ (263,575)	\$ 2,042,940	\$ 270,795
Premium	76,439	-	(8,311)	68,128	-
Certificate of Obligation	1,350,000	-	(140,000)	1,210,000	140,000
Other liabilities:					
Compensated Absences	64,817	74,499	(56,356)	82,960	74,665
<b>Total Governmental Activities</b>	<u>\$ 3,797,771</u>	<u>\$ 74,499</u>	<u>\$ (468,242)</u>	<u>\$ 3,404,028</u>	<u>\$ 485,460</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 2,918,568</u>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,263,485	\$ -	\$ (281,425)	\$ 1,982,060	\$ 289,205
Premium	74,565	-	(9,008)	65,557	-
Other liabilities:					
Compensated Absences	16,201	27,639	(24,308)	19,532	17,579
<b>Total Business-Type Activities</b>	<u>\$ 2,354,251</u>	<u>\$ 27,639</u>	<u>\$ (314,741)</u>	<u>\$ 2,067,149</u>	<u>\$ 306,784</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 1,760,365</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, 2017**

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

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
2010 General obligation refunding bonds (41%)	2.00 - 3.5%	\$ 735,950	\$ 145,550
2011 General obligation refunding bonds (52%)	2.00 - 4.00%	2,959,825	1,897,390
2015 Certificate of obligation (100%)	2.09%	1,485,000	1,210,000
<b>Total Governmental Activities</b>		<b>\$ 5,180,775</b>	<b>\$ 3,252,940</b>
<b>Business-type Activities:</b>			
2010 General obligation refunding bonds (59%)	2.00 - 3.5%	\$ 1,059,050	\$ 209,450
2011 General obligation refunding bonds (48%)	2.00 - 4.00%	2,765,175	1,772,610
<b>Total Business-Type Activities</b>		<b>\$ 3,824,225</b>	<b>\$ 1,982,060</b>
<b>Total Long-Term Debt</b>			
2010 General obligation refunding bonds	2.00 - 3.5%	\$ 1,795,000	\$ 355,000
2011 General obligation refunding bonds	2.00 - 4.00%	5,725,000	3,670,000
2015 Certificate of obligation	2.09%	1,485,000	1,210,000
<b>Total</b>		<b>\$ 9,005,000</b>	<b>\$ 5,235,000</b>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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
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	-	-
<b>Total</b>	<b>\$ 145,550</b>	<b>\$ 7,677</b>	<b>\$ 1,897,390</b>	<b>\$ 341,384</b>	<b>\$ 1,210,000</b>	<b>\$ 103,874</b>

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, 2017**

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
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
<b>Total</b>	<b>\$ 209,450</b>	<b>\$ 11,048</b>	<b>\$ 1,772,610</b>	<b>\$ 318,933</b>

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, 2017**

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
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
<b>Total</b>	<b>\$ 3,252,940</b>	<b>\$ 446,860</b>	<b>\$ 1,982,060</b>	<b>\$ 329,982</b>	<b>\$ 5,235,000</b>	<b>\$ 776,842</b>

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.

Collin County agreed to issue a grant amounting to \$367,247 and lend up to \$975,506 to the City to relocate water utilities along FM 2514. The payable is owed back to the County 30 days after the City receives the grant money from TX DOT or letter from TX DOT that no grant will be issued. As of September 30, 2017, the City received \$238,856 from the County related to this agreement. This amount was considered to be a part of the \$367,247 grant portion of the agreement. As of September 30, 2017, the City expended \$126,018 related to this project and therefore realized grant revenue equal to one half due to the matching requirement from the County, \$63,009. The unearned portion of the grant was recorded as a liability for \$175,847, and will be recognized as revenue when the City expends additional funds on the project.

**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 \$62,751 and \$57,923, respectively. Current year amortization expense for governmental and business-type activities totaled \$5,704 and \$5,266, respectively.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**G. Customer Deposits**

The City had customer deposits of \$63,000 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.

**H. Interfund Transactions**

The compositions of interfund due to/from balances as of the year ended September 30, 2017 were as follows:

<u>Payable fund</u>	<u>Receivable fund</u>
<u>General</u>	
Capital projects	\$ 35,092

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.

Transfers between the primary government funds during the 2017 year were as follows:

<u>Transfer in:</u>	<u>Transfer out</u>
<u>General</u>	
Nonmajor Governmental	\$ 4,125
	\$ 4,125

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

	<u>Restricted</u>	<u>Committed</u>
Municipal court	* \$ 37,900	\$ -
Police seizures	97	-
Debt service	145,368	-
Fire safety	227,781	-
Capital improvements	309,908	104,268
<b>Total</b>	<b>\$ 721,054</b>	<b>\$ 104,268</b>

\*Restricted by enabling legislation.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**J. Lease Obligations**

In the prior 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. Total lease expense for the year ended September 30, 2017 totaled \$26,400.

Future minimum payments for this lease are as follows:

Year ended September 30:		
2018	\$	26,400
2019		26,400
2020		26,400
2021		22,000
Thereafter		-
	\$	<u>101,200</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, 2017**

**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 872 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](http://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, 2017**

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 2016</u>	<u>Plan Year 2015</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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	11
Active employees	22
Total	40

**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 11.20% and 12.23% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$154,623, and were equal to the required contributions.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 Combined Healthy Mortality Tables 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 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, 2016, 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. 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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
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, 2017

**Changes in the Net Pension Liability:**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/15</b>	\$ 3,069,768	\$ 2,200,444	\$ 869,324
<b>Changes for the year:</b>			
Service Cost	169,837	-	169,837
Interest	207,380	-	207,380
Difference between expected and actual experience	52,583	-	52,583
Changes of assumptions	-	-	-
Contributions – employer	-	140,906	(140,906)
Contributions – employee	-	75,483	(75,483)
Net investment income	-	148,469	(148,469)
Benefit payments, including refunds of emp. contributions	(164,770)	(164,770)	-
Administrative expense	-	(1,679)	1,679
Other changes	-	(90)	90
Net changes	265,030	198,319	66,711
<b>Balance at 12/31/16</b>	<b>\$ 3,334,798</b>	<b>\$ 2,398,763</b>	<b>\$ 936,035</b>

**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:

<b>1% Decrease 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
\$ 1,366,106	\$ 936,035	\$ 575,910

**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.tmr.com](http://www.tmr.com).

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

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

Pension expense for the year ended September 30, 2017 was \$208,452. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Difference between projected and investment earnings	\$ 99,288
Differences between expected and actual economic experience	70,560
Contributions subsequent to the measurement date	116,358
<b>Total</b>	<b>\$ 286,206</b>

The City reported \$116,358 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2017	53,482
2018	53,522
2019	53,704
2020	9,140
2021	-
Thereafter	-
	<b>\$ 169,848</b>

**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.

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2017

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 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 2017, 2016 and 2015 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.01%	0.01%	100.0%
2016	0.01%	0.01%	100.0%
2017	0.02%	0.02%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$259, \$119, and \$112, 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 \$2,835 for the year ended September 30, 2017. The City does not contribute to the plan.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2017**

**F. Subsequent Events**

In October 2017, the City purchased radio equipment for \$122,155.

There were no other material subsequent events through December 15, 2017, the date the financial statements were issued.

(This page intentionally left blank.)

## ***REQUIRED SUPPLEMENTARY INFORMATION***

(This page intentionally left blank.)

**City of Parker, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

**For the Year Ended September 30, 2017**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Property tax	\$ 2,349,103	\$ 2,384,229	\$ 35,126
Sales tax	150,000	165,955	15,955
Franchise and local taxes	256,200	238,138	(18,062)
License and permits	450,300	393,751	(56,549)
Contributions and donations	-	690	690
Intergovernmental	3,536	9,454	5,918
Fines and forfeitures	200,000	157,430	(42,570)
Investment income	25,000	33,163	8,163
Other revenue	23,000	15,575	(7,425)
<b>Total Revenues</b>	<b>3,457,139</b>	<b>3,398,385</b>	<b>(58,754)</b>
<b><u>Expenditures</u></b>			
Current:			
General government	1,063,017	705,707	357,310
Police department	1,014,260	974,307	39,953
Municipal court	194,629	147,498	47,131
Fire department	364,201	341,032	23,169
Building and code enforcement	136,182	120,021	16,161
Public works	1,055,032	965,347	89,685
City property	120,750	94,941	25,809
<b>Total Expenditures</b>	<b>3,948,071</b>	<b>3,348,853</b>	<b>599,218</b>
<b>Revenues Over (Under)</b>	<b>(490,932)</b>	<b>49,532</b>	<b>540,464</b>
<b><u>Other Financing Sources</u></b>			
Transfers (out)	-	(4,125)	(4,125)
Insurance recovery proceeds	-	30,036	30,036
<b>Net Change in Fund Balance</b>	<b>\$ (490,932)</b>	<b>75,443</b>	<b>\$ 566,375</b>
Beginning fund balance		4,368,509	
<b>Ending Fund Balance</b>		<b>\$ 4,443,952</b>	

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

Years Ended December 31,

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 169,837	\$ 142,149	\$ 113,443
Interest	207,380	196,185	189,492
Differences between expected and actual experience	52,583	(2,192)	(43,077)
Changes of assumptions	-	81,015	-
Benefit payments, including refunds of participant contributions	(164,770)	(157,911)	(199,299)
<b>Net change in total pension liability</b>	<b>265,030</b>	<b>259,246</b>	<b>60,559</b>
<b>Total pension liability - beginning</b>	<b>3,069,768</b>	<b>2,810,522</b>	<b>2,749,963</b>
<b>Total pension liability - ending (a)</b>	<b>3,334,798</b>	<b>3,069,768</b>	<b>2,810,522</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 140,906	\$ 132,625	\$ 108,296
Contributions - members	75,483	68,124	63,331
Net investment income	148,469	3,182	118,262
Benefit payments, including refunds of participant contributions	(164,770)	(157,911)	(199,299)
Administrative expenses	(1,679)	(1,938)	(1,235)
Other	(90)	(96)	(102)
<b>Net change in plan fiduciary net position</b>	<b>198,319</b>	<b>43,986</b>	<b>89,253</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,200,444</b>	<b>2,156,458</b>	<b>2,067,205</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,398,763</b>	<b>\$ 2,200,444</b>	<b>\$ 2,156,458</b>
<b>Fund's net pension liability - ending (a) - (b)</b>	<b>\$ 936,035</b>	<b>\$ 869,324</b>	<b>\$ 654,064</b>
 <b>Plan fiduciary net position as a percentage</b>	 <b>71.93%</b>	 <b>71.68%</b>	 <b>76.73%</b>
<b>Covered employee payroll</b>	<b>\$ 1,258,049</b>	<b>\$ 1,136,281</b>	<b>\$ 1,055,519</b>
<b>Fund's net position as a percentage of covered employee payroll</b>	<b>74.40%</b>	<b>76.51%</b>	<b>61.97%</b>

### 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

Years Ended:

	9/30/2017	9/30/2016	9/30/2015 <sup>1</sup>
Actuarially determined employer contributions	\$ 154,623	\$ 134,731	\$ 126,757
Contributions in relation to the actuarially determined contribution	\$ 154,623	\$ 134,731	\$ 126,757
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered employee payroll	\$ 1,293,066	\$ 1,191,182	\$ 1,116,212
Employer contributions as a percentage of covered employee payroll	11.96%	11.31%	11.36%

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	3.5% 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.

(This page intentionally left blank.)

# Parker, Texas

## Audit Presentation

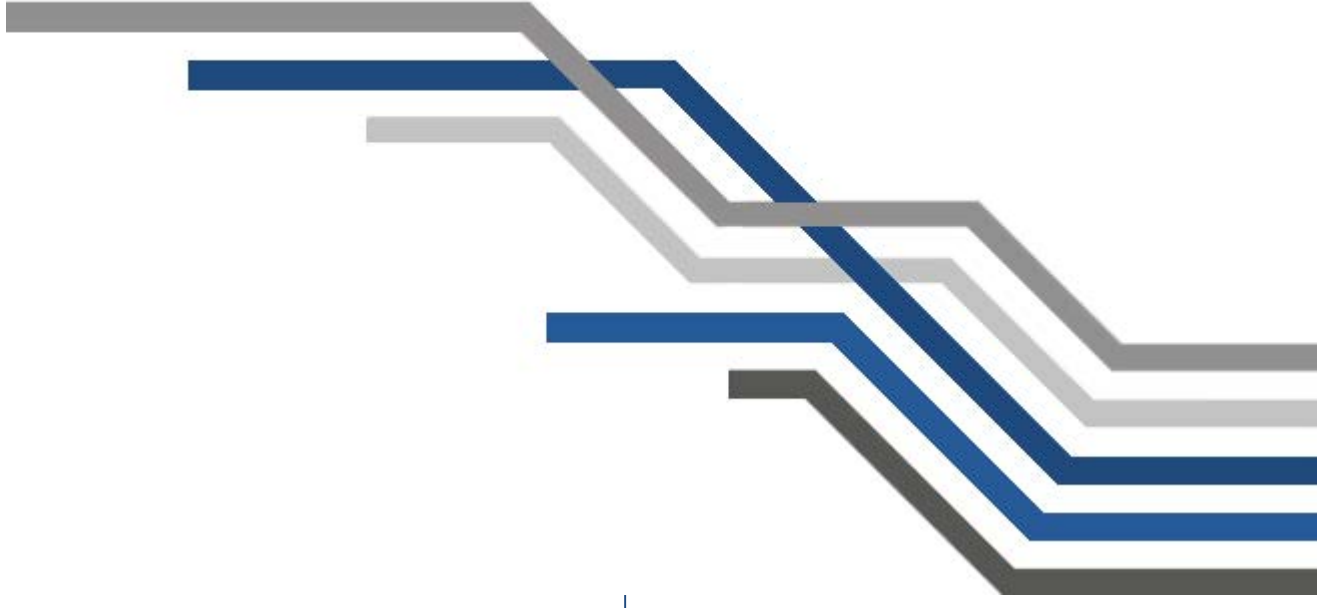
September 30, 2017

---

Presented By: Jon Watson, CPA  
February 6, 2018

**BW&C**

CERTIFIED PUBLIC ACCOUNTANTS



# OVERVIEW OF THE AUDIT PROCESS

## *Audit Planning and Risk Assessment*

- Preliminary analytics – changes year over year
- Internal controls – gain understanding
- Assessing financial and fraud risk
- Designing audit procedures – Risk Based Approach

# OVERVIEW OF THE AUDIT PROCESS

## *Audit Fieldwork & Completion and Reporting*

Typical audit procedures as part of our audit fieldwork include:

- Agreeing financial statements to underlying records and activity
- Inspection of documents, inquiry of individuals providing information
- Confirmations – cash, debt, receivables, revenue, grants, etc.
- Analytical procedures – comparing actual results to expectations

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
  - TMRS Pension Schedules

# INDEPENDENT AUDITOR'S REPORT

REFERENCE AFR – PAGE 2

- ❖ Four possible outcomes



**-Unmodified**  
**-Modified**  
**-Disclaimed**  
**-Adverse**

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

# FINANCIAL HIGHLIGHTS

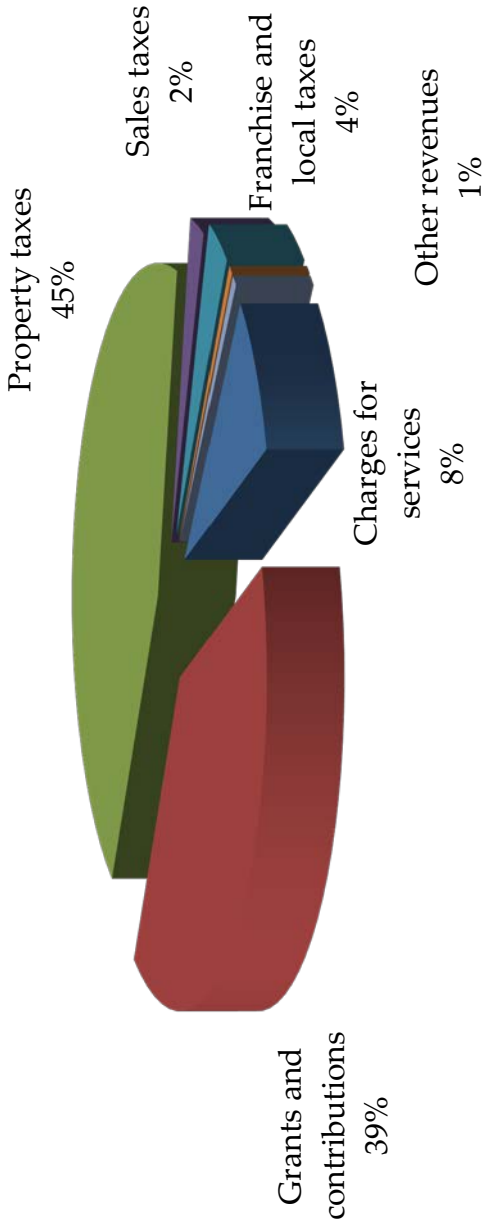
REFERENCE AFR – PAGE 7

- ❖ Total assets exceeded total liabilities by \$53,601,929.
- ❖ City's governmental funds reported a combined ending fund balance of \$5,548,992, a decrease of \$273,908.
- ❖ Unassigned fund balance in the general fund was \$4,301,687 or 128% of annual general fund expenditures.
- ❖ The City had an overall increase in net position of \$3,174,428 for the year.

# City Revenues – Governmental Activities

GOVERNMENTAL ACTIVITIES – YEAR ENDING 9/30/17 - REFERENCE AFR PAGES 20 & 21

## Governmental Activities - Revenues



- ❖ Total governmental revenues were \$6,457,891
- ❖ Total charges for services were \$551,181
- ❖ Total grants and contributions were \$2,538,775
- ❖ Total property taxes were \$2,880,063
- ❖ Total sales taxes were \$165,955
- ❖ Total franchise and local taxes were \$234,695

# STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/17 - REFERENCE AFR PAGES 26 & 27

	General	Debt Service	Capital Projects	(Nonmajor) Volunteer FD	Total
<u>Revenues</u>					
Total Revenues	\$ 3,398,385	\$ 528,196	\$ 428,971	\$ 68,215	\$ 4,423,767
<u>Expenditures</u>					
Total Expenditures	3,348,853	508,465	853,297	17,096	4,727,711
Excess (Deficiency)	49,532	19,731	(424,326)	51,119	(303,944)
Other Financing Sources	25,911	-	-	4,125	30,036
Net Change in Fund Balances	75,443	19,731	(424,326)	55,244	(273,908)
Beginning fund balances	4,368,509	125,637	1,156,217	172,537	5,822,900
Ending Fund Balances	\$ 4,443,952	\$ 145,368	\$ 731,891	\$ 227,781	\$ 5,548,992

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

GENERAL FUND – YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 69

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Total Revenues	3,457,139	3,398,385	(58,754)
<u>Expenditures</u>			
Total Expenditures	3,948,071	3,348,853	599,218
Revenues Over (Under) Expenditures	(490,932)	49,532	540,464
<u>Other Financing Sources (Uses)</u>			
Total Other Financing Sources (Uses)	-	25,911	25,911
Net Change in Fund Balance	\$ (490,932)	75,443	\$ 566,375
Beginning fund balance		4,368,509	
Ending Fund Balance		\$ 4,443,952	

# STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

PROPRIETARY FUND – YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 31

	<b>Water, Sewer &amp; Sanitation Fund</b>
<u>Operating Revenues</u>	
Total Operating Revenues	3,398,138
<u>Operating Expenses</u>	
Total Operating Expenses	3,124,413
Operating Income (Loss)	273,725
<u>Nonoperating Revenues (Expenses)</u>	
Total Nonoperating Revenues (Expenses)	(68,784)
Income Before Transfers and Contributions	204,941
Contributed capital assets from developer	1,089,994
Change in Net Position	1,294,935
Beginning net position	13,083,549
Ending Net Position	\$ 14,378,484

# SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 70

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/15</b>	\$ 3,069,768	\$ 2,200,444	\$ 869,324
Changes for the year:			
Service cost	169,837	-	169,837
Interest	207,380	-	207,380
Difference between expected and actual experience	52,583	-	52,583
Contributions – employer	-	140,906	(140,906)
Contributions – employee	-	75,483	(75,483)
Net investment income	-	148,469	(148,469)
Benefit payments, including refunds of emp. contributions	(164,770)	(164,770)	-
Administrative expense	-	(1,679)	1,679
Other changes	-	(90)	90
Net changes	265,030	198,319	66,711
<b>Balance at 12/31/16</b>	<b>\$ 3,334,798</b>	<b>\$ 2,398,763</b>	<b>\$ 936,035</b>

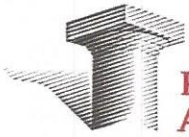
- ❖ The City's current funded ratio is 72%. Prior year was 72%. 70% is considered adequate by Fitch Ratings. Less than 60% is considered weak
- ❖ The City's contribution rates for three years (2017–2015) were 12.47%, 11.40%, 11.83%

# CONCLUSION

## Other Communications and Questions

---

Presented By: Jon Watson, CPA  
February 6, 2018



**RANDALL SCOTT  
ARCHITECTS**

ARCHITECTURE | INTERIORS | PLANNING

**EXHIBIT A TO THE  
AIA B101-2007 OWNER ARCHITECT AGREEMENT**

*Revised February 7, 2018*

Mr. Jeff Flanigan  
City Manager  
City of Parker  
5700 Parker Rd.  
Parker, Texas 75002

**RE: PROPOSAL TO PROVIDE SITE ASSESSMENT, NEEDS ASSESSMENT AND A/E DESIGN SERVICES FOR A CITY HALL & POLICE COMPLEX FOR THE CITY OF PARKER, TEXAS**

**I. PROJECT SCOPE**

This proposal is submitted by Randall Scott Architects, Inc. (hereinafter referred to as RSA or Architect) to the City of Parker (herein after referred to as the City, Owner or Client) to provide Site Assessment, Needs Assessment and full A/E Design Services for a new City Hall and Police Complex for the City of Parker, TX on August 3, 2017.

**A. PROJECT CRITERIA**

**1. OVERVIEW**

The following overview of the project requirements has been conveyed to RSA by the City in its Request for Qualifications and in a subsequent meeting between RSA and Jeff Flanigan, City Manager, for the City of Parker:

- a. The project scope includes a new City Hall, Municipal Court and Police Facilities.
- b. The use of a construction manager at risk (CMAR) delivery is anticipated by the City.
- c. Initial planning phase cost estimates are to be provided by the Architect.
- d. Square footage needs are estimated by City staff to be approximately:
  - i. 16,000 – 18,000 GSF for the new City Hall/Municipal Court
  - ii. TBD for Police Facility
- e. The Construction Cost Limitation (CCL) and Total Project Cost (TPC) for this project will be determined as part of a Facility Needs Assessment.
- f. The Police Facility will not include detention nor dispatch as part of the scope.
- g. Provide for City administration offices
- h. Provide public parking as required.
- i. Approximately 60% of the existing municipal complex campus is within the 100-year flood plain. According to information obtained by RSA from the City, the storm water level cannot be raised at all above its current level. Therefore, the building will have to be constructed out of the flood plain or else the storm water capacity will have to be enlarged which involves quite a bit of time and engineering fees.

## **2. SITE FEASIBILITY STUDY**

- a. A site analysis and feasibility study for the current City Hall site shall be provided as part of the project scope. The site shall consist of:
  1. New buildings for City Hall and Police (Option 1).
  2. A single building for City Hall and Police combined (Option 2).
- b. The Site Assessment/Needs Assessment Study scope of work shall determine whether a single building or separate buildings for the City Hall/Municipal Court and Police Facility are in the best interest of the City.
- c. The study shall include evaluation of available space for siting the proposed facilities, setbacks, line of sight issues, height restrictions, etc.
- d. The Design Team shall work with Staff to assess the availability and suitability of existing utilities and infrastructure to support the new buildings. This work will be done by the Design Team utilizing available information from the City and local utilities companies. Engineers and surveyors will not be engaged to accomplish this work.

## **3. NEEDS ASSESSMENT**

- a. Prepare a thorough and complete evaluation of the City Hall, Municipal Court and Police Department space needs.

## **4. CONCEPTUAL DESIGN**

- a. Provide a conceptual design for the new City Hall, Municipal Court and Police facilities.

## **5. OTHER CRITERIA**

- a. It is estimated that the Facility Needs Assessment, Design, Construction Documents, Bidding and Construction for this project will take approximately 25-26 months to complete resulting in Owner occupancy approximately the first quarter of 2020. Occupancy by this date would be contingent on a signed AIA B101 Owner Architect Agreement being in place with Notice to Proceed being provided to RSA no later than December 1, 2017.
- b. It is not the City's intent to make this a LEED certified building.
- c. Parker's current population is approximately 5,000 people as of the date of this proposal. Estimated growth is approximately 75 residences per year. There is no commercial space in the City limits.
- d. RSA recommends that City Staff, Council and the Architectural Team attend a benchmarking tour to visit City Hall, Municipal Court and Police Facilities prior to beginning the Facility Needs Assessment and design work.
- e. The funding for this project has not been appropriated. The type of funding mechanism to be used on this project is to be determined.

# **II. PRE-DESIGN PHASE SERVICES**

## **A. NEEDS ASSESSMENT & PROGRAM OF REQUIREMENTS (POR)**

1. Needs Assessment/Programming services to be provided by RSA shall consist of the following:
  - a. **Meet with Staff, Council and other key departmental individuals (Project Stakeholders)** to introduce the Project Team and gain an overall understanding of the City's scope, needs and goals for the project.
  - b. **Attend Benchmarking Tours** of peer municipal facilities containing City Hall, Municipal Court and Police facilities with Staff (and Council if desired) to observe and critique those facilities.
  - c. Prepare a Needs Assessment Questionnaire for distribution to the Project Stakeholders (City Administration, Department Heads and interested Council members) requesting information for

each department/space within the facility, and staff forecasts for FTE's/FF&E/Space needs for the next 20 years calculated in 5-year intervals. RSA will **meet with the Stakeholders** to explain the information needed on the Questionnaires.

- d. Research available census data and other metrics to forecast population growth and demographics for the City over the next 20 years.
- e. **Hold Focus Group Meetings (Workshop # 1)** with the Project Stakeholders to review the Questionnaire metrics and quantify the spacial, functional, equipment, adjacency, environmental, technology and sustainability requirements for each of the spaces within the new City Hall, Municipal Court and Police facilities.
- f. Prepare a preliminary **Program of Requirements (POR)** listing each of the requested spaces and their specific metrics.
- g. Prepare Area Summary Spreadsheets delineating the total net square footage, grossing factors and total gross square footage requirements by department for 5, 10, 15 and 20 year horizons. This will serve to document the expansion needs to accommodate future growth in the City.
- h. Prepare test fit drawings for critical areas of the project such as the Council Chambers/Municipal Court, Pre-Council Room, Standard Office Layouts, Patrol Briefing Room, Training Room, etc.
- i. Prepare a Preliminary Project Schedule for the Project.
- j. Prepare a Preliminary Cost Estimate for the Project based on RSA's historical square footage cost data for similar projects.
- k. Prepare a Preliminary POR document with the above Needs Assessment metrics, Project Schedule and Preliminary Cost Estimate for review with the City.
- l. **Meet with the Project Stakeholders** to review the preliminary POR.
- m. Make final adjustments to the POR. Prepare and issue a final Program of Requirements for the Project.
- n. Assist Staff in presenting the POR and metrics to Council.

#### **B. SITE ASSESSMENT**

1. Site Assessment services to be provided by RSA for this project shall consist of the following:
  - a. Gather existing survey, plat, Google Earth, zoning, setback and other pertinent information for the site. Most of this information shall be provided to the Architect by the City.
  - b. Discuss potential locations and configurations of the programmed facilities on the site **in a meeting with City Staff** including the pro's and con's of: 1) co-location as a single building, or 2) a municipal campus of buildings on the site **(Workshop # 2)**.
  - c. Prepare preliminary site orientation and massing studies for the new building(s) illustrating the facilities, parking, egress and other items deemed appropriate by the Architect.
  - d. Prepare preliminary cost estimates for the various options listed above.
  - e. Meet with Staff and Council to review RSA's proposed site options and associated cost estimates and discuss the merits of each concept.
  - f. Prepare a final site plan incorporating the site concept approved by the City. This would be a drawing of a recommended preliminary site/building configuration for the final design.
  - g. Assist Staff in presenting the final Site Assessment design and recommendations to Council.

### **III. BASIC SERVICES**

#### **A. SCHEMATIC DESIGN PHASE**

Schematic Design Phase services provided by RSA and our Consultants for this project shall consist of the following:

1. Perform a detailed code and zoning review for the proposed project and consult with the Owner on any changes that impact the design.

2. Conduct **Design Workshop # 3** on-site with the Project Stakeholders to develop block floor plans for each department within the buildings utilizing the agreed upon metrics verified in the Pre-Design Phase POR spreadsheets.
3. Prepare refined floor plans for review with the Project Stakeholders incorporating the block floor plan concepts prepared during Workshop # 3.
4. Prepare a refined site plan for review with the Project Stakeholders based on concepts developed during the Pre-Design Site Assessment Phase and the refined floor plans above.
5. Prepare preliminary exterior design concept options for review with the Project Stakeholders.
6. Provide the CM at Risk with the drawings, narratives and other information needed for preparation of the Schematic Design Cost Estimate.
7. Hold a **Stakeholder Review Meeting** to review the preliminary Site Plan, Floor Plans, Exterior Design Concept and CMAR's Cost Estimate to receive comments.
8. Prepare the final Schematic Design site plan, floor plans and renderings of RSA's proposed design for the Project incorporating Stakeholder review comments.
9. Prepare an updated Project Schedule for the design and construction phases of the project.
10. Coordinate the MEP, structural, civil, IT/AV, security and landscape architecture consultants' Schematic Design services.
11. Collaborate with the City and CM at Risk in reconciling the project scope, budget and estimated construction cost.
12. Prepare a PowerPoint presentation of the Final Schematic Design Drawings, Proposed Project Schedule and CM at Risk's SD Cost Estimate and present to Council for final approval.
13. Prepare and distribute meeting notes documenting the basic issues, resolutions and action items agreed to during this phase.

## **B. DESIGN DEVELOPMENT PHASE**

Based on the approved Schematic Design documents and reconciled SD Cost Estimate prepared by the CM at Risk, the Design Team shall continue developing the following Design Development documents:

1. General Notes
2. Architectural site plan illustrating the proposed site and building improvements
3. Architectural floor plans with dimensions
4. Roof Plan(s)
5. Partition types
6. Proposed room finish & door schedules
7. Exterior building elevations
8. Wall sections
9. Preliminary section details
10. Reflected ceiling plans
11. Millwork elevations
12. Interior elevations
13. Preliminary interior finish recommendations
14. Preliminary mechanical, electrical and plumbing drawings and details
15. Preliminary structural plans and details
16. Preliminary civil plans and details
17. Preliminary AV, IT, Security and Access Control (low voltage systems) plans and details
18. Preliminary landscape architecture plans and site details
19. Provide drawings and specifications to the CM at Risk for preparation of its DD Cost Estimate and collaborate with the Owner and CM at Risk to adjust the Design Development scope of work to reconcile with the City's budget.

20. Prepare and distribute meeting notes documenting the basic issues, resolutions and action items agreed to during this phase.
21. **Attend meetings with City Staff** to review the Design Development documents, CM at Risk's DD cost estimate and status of the Project Schedule.

#### **C. CONSTRUCTION DOCUMENTS PHASE (INCLUDING THE GMP PRICING SET)**

Based on the approved Design Development documents and reconciled DD Cost Estimate prepared by the CM at Risk, the Design Team will prepare final drawings, details and specifications required to construct the Project.

During this phase, the Design Team will issue the GMP (Guaranteed Maximum Price) Pricing Documents at approximately the 50% - 75% completion stage of the Construction Documents. The GMP Pricing Documents will include a base bid scope of work and add alternates which the Design Team will agree upon with the City and CM at Risk to assist in managing the project cost. Upon receipt of the CM at Risk's GMP Pricing, the Design Team will work with the Owner and CM at Risk to make final adjustments to the project scope and construction documents to reconcile the project scope and GMP pricing with the City's budget. Once the scope and GMP pricing are reconciled with the budget, the Design Team will complete the 100% Construction Documents and issue them to the CM at Risk for final buyout pricing.

The Construction Documents Phase includes attendance by the Design Team at **meetings with the Owner, CM at Risk and other entities** to coordinate the Construction Documents, GMP pricing and final buyout pricing. Services during this phase include the preparation and distribution of project meeting notes documenting the basic issues, resolutions and action items agreed to during this phase.

#### **D. BIDDING & NEGOTIATION PHASE**

Once the final Construction Documents and GMP pricing are approved by the Owner, the Design Team will provide the following services during the Bidding and Negotiation Phase:

1. Distribute electronic PDF files of plans and specifications to the CM at Risk. The printing of these documents for bidding and construction shall be at the CM at Risk's expense.
2. Attend a Pre-Bid Conference at the project site or a location designated by the Owner.
3. Answer Contractor and subcontractor questions about the construction documents and intended design.
4. Review substitution requests from the CM at Risk prior to the date of his GMP proposal.
5. Prepare and issue addenda to the Construction Documents.
6. Prepare and distribute project meeting notes documenting the basic issues, resolutions and action items agreed to in meetings attended by the Architect during this phase.

#### **E. CONTRACT ADMINISTRATION PHASE**

During the Construction Administration Phase, the Design Team will provide the following Services:

1. Conduct a Pre-Construction Meeting to discuss the issues of coordination, points of contact for each entity and protocol to be followed during the Construction Phase of the project.
2. Attend site visits as deemed necessary by the Design Team to review the Work in an effort to determine in general whether or not, when the Project is completed, it will be constructed in substantial accordance with the Contract Documents.
3. **Attend OAC (Owner/Architect/Contractor) meetings** with the City's representative and CM at Risk to review the project status, previous set of construction meeting notes, submittal logs, ASI logs, RFI

- logs, LEED credit status (if applicable), and construction schedule status along with any coordination issues that need resolution by this group.
4. Review substitution requests from the CM at Risk for materials and products which become unavailable during the Construction Phase due to circumstances beyond the Construction Manager's control.
  5. Review submittals and shop drawings required by the Contract Documents.
  6. Review the CM at Risk's Requests for Information (RFI's) and respond as deemed appropriate by the Architect.
  7. Prepare Architect's' Supplemental Instructions (ASI's) when deemed necessary by the Architect and issue them to the CM at Risk.
  8. Review the CM at Risk's Proposal Requests (PR's), make recommendations to the Owner and process change orders.
  9. Review CM at Risk's Applications for Payment and transmit to the City for payment with any recommended adjustments.
  10. Prepare a punch list for the Project and perform a final walk-through for verification that punch list items have been completed.
  11. Establish dates of Substantial and Final Completion and prepare certificates for same.
  12. Coordinate project close out, receipt of warranty & maintenance binders from the CM at Risk.

#### **IV. ADDITIONAL SERVICES**

Additional Services are all services not explicitly listed under Sections II *Pre-Design Services* & III *Basic Services* of this Proposal. Additional Services shall be provided when requested by the City on an hourly or negotiated fee basis in addition to the fees charged for the services outlined in Sections II and III above. Prior to beginning Additional Services work, RSA shall request approval from the City in writing if it believes that Additional Services are warranted or have been requested by the City. Additional Services include, but are not limited to, the following:

- A. Revisions requested by the City to the Architect's Work resulting in changes in the design, scope and/or quality. Revisions to the Architect's Work or documents due to changes in the information provided to the Architect by the City.
- B. Preparing Design alternatives (other than those listed in Sections II and III above) and redesign services for the project including, but not limited to, redesign services required due to the City making changes to the project scope.
- C. City Hall meetings with citizen groups (outside of normal Council presentations) to present the project information. RSA will assist staff in presenting our work to Council during regular Council Meetings as a Basic Service.
- D. Field verification of existing conditions on the site(s). An example would be locating existing improvements or trees on the site that need to be incorporated in the Work, but are not indicated on documents provided to the Architect by the City.
- E. Acoustical, envelope, code or other consulting services required to complete the project which are not specifically listed under Sections II *Pre-Construction* and III *Basic Services* Phases.
- F. Design of structural foundations such as carton form or pier and beam foundation systems.
- G. Design of off-site utilities beyond 50' from the building foundation.
- H. Platting or rezoning services.
- I. Surveying services.
- J. Preparing plats and surveys with current deeds, easements and Rights of Way identified.
- K. Geotechnical engineering services and reports.
- L. Transportation/circulation impact studies or services of a transportation engineering consultant.

- M. Environmental Assessments including, but not limited to: 1) historical use of the property, 2) hydrology characteristics including drainage and potential mitigation steps for runoff from future development in compliance with applicable regulations; 3) presence and potential impact (if any) of special conditions or sensitive receptors present such as wetlands, endangered species and native trees.
- N. Analysis of beneficial use of existing ground water, on-site or nearby contaminant plumes, potential hazardous waste and air quality.
- O. Preparation of change orders not the fault of the architect or his consultants.
- P. Site assessment of additional sites other than the existing City Hall site.
- Q. All work associated with the location and modification of the floodplain relative to this project.

## V. PRELIMINARY PROJECT SCHEDULE

RSA anticipates it will take approximately 25-26 months to complete the above work and construction phase. To a large extent, this time frame will depend on the availability of the City Staff and the ability of Council to make timely decisions on matters of design and cost. A Project Schedule will be developed in conjunction with the City and the CM at Risk during the Needs Assessment and Design Phases of the project.

## VI. PROFESSIONAL FEES

### A. PRE-DESIGN SERVICES

1. The services outlined in Section II *Pre-Design Services* above shall be provided for the following lump sum fees:
  - a. **Site Assessment of existing site with existing Fire and new Municipal Building/Police Facility** **9,750**
  - b. **Needs Assessment/Program of Requirements for City Hall, Courts and Police Complex** **\$37,000**
  - c. **Preliminary Cost Estimating Services** **\$12,000**
  - Subtotal Pre-Design Services** **\$58,750**

### B. BASIC SERVICES

1. The minimum fee for <i>Basic Services</i> including the Architectural, Structural and MEP engineering services outlined in Section III Basic Services of this Proposal shall be provided based on a fee percentage of 7.5% times the Construction Cost Limitation (CCL).	<b>TBD based on estimated Construction Cost</b>
2. Civil Engineering Services for On-Site Civil Design assuming no floodplain adjustments are required	<b>\$75,275</b>
3. AV/Acoustical Consultant	<b>\$52,750</b>
4. Technology Consultant (IT, Security & Access Control Services)	<b>\$44,350</b>
5. Landscape Architecture and Irrigation Design	<b>\$65,750</b>
6. FF&E Specifications and Interior Design	<b>\$84,575</b>
<b>Total Basic Services Fees</b>	<b>TBD</b>

1. **Note: The above fees are based on a City Hall, Municipal Court and Police Complex and associated site work at a budgeted Construction Cost Limitation (CCL) to be determined during the Needs Assessment Phase of the Architect's Work. Should the Construction Cost Limitation (CCL) or Owner's Construction Budget be increased during the course of this project to exceed the originally budgeted Construction Cost Limitation (CCL), RSA's fees shall be increased at a fee**

**percentage of 8.9% times the amount exceeding the originally budgeted CCL at the time the City increases the CCL. A final adjustment to RSA's fees will be made at the end of the construction phase of the Project once the final construction cost is known.**

#### **C. ADDITIONAL SERVICES**

1. Additional Services for the project shall be provided at the following hourly rates or negotiated on a lump sum basis at the time they are required:

Principal	\$250.00/hr.
Vice President	\$225.00/hr.
Studio Leader	\$200.00/hr.
Project Architect	\$150.00/hr.
Staff Architect	\$125.00/hr.
Visualization Renderer	\$125.00/hr.
Administrative	\$85.00/hr.

#### **D. REIMBURSABLE EXPENSES**

Reimbursable Expenses constitute expenses incurred on the City's behalf by RSA and/or our Consultants. These expenses include, but are not limited to: reproduction of preliminary and final documents, mounting and laminating of presentation boards, Agency Review fees, hotel, meals and per diem expenses, mileage, air fare, rental cars, overnight express, courier services and postage. Reimbursable expenses shall be **marked up 10%** to cover RSA's handling costs and billed to the Owner **in addition to any Basic and Additional Services** incurred on the project.

#### **VII. PROFESSIONAL REGISTRATION**

The Texas Board of Architectural Examiners, 333 Guadalupe, Suite 2-350, Austin, Texas 78701-3942, phone: 512.305.9000, has jurisdiction over individuals licensed under the Architects' Registration Law, Article 249A, VTCS.

#### **VIII. OTHER CONDITIONS**

- A. *Deleted.*
- B. The City shall provide, and the Architect shall be entitled to rely upon the accuracy of: 1) a detailed boundary and topographic survey of the site with grades at 1 foot intervals; spot grades for top and bottom of curbs at 5' intervals, trees (caliper at 3' above grade, canopy size and species); above and below ground utilities locations including flow lines and capacities; surrounding street and ROW locations; 2 benchmarks tied to USGS surveys; and the location of all improvements on and adjacent to the site including the existing City Hall/Fire Station facilities and parking areas on the site to be assessed; and 2) a geotechnical report with shallow and deep borings and recommendations for the design of the new building foundation(s) and paving designs for the site.
- C. The Owner acknowledges that all projects such as the one being contemplated are required by law to be submitted to the Texas Department of Licensing & Regulation for handicap accessibility review. The Architect will submit plans for the proposed project to TDLR for review. The Owner acknowledges that the construction documents are not complete until TDLR has approved them and any comments they require are incorporated even though construction may have begun and even be completed before comments are received. The Architect and his Consultants shall not be held financially responsible for changes to the project required by TDLR.
- D. The Owner acknowledges that RSA has no responsibility for construction means and methods and that these are the sole responsibility of the Contractor/CM at Risk.
- E. The Owner acknowledges that RSA has no responsibility for construction site safety and safety procedures and that these are the sole responsibility of the Contractor/CM at Risk.

*Revised February 7, 2018*

Page 9

- F. The Owner acknowledges that RSA has no responsibility for the discovery of nor remediation of hazardous materials including, but not limited to, asbestos, PCP's, lead, etc. and that these are the responsibility of the Owner.
- G. **PROFESSIONAL LIABILITY OF THE ARCHITECT AND HIS CONSULTANTS' WORK ON THIS PROJECT AND ANY AMENDMENTS TO THE WORK SHALL NOT EXCEED FIVE HUNDRED THOUSAND DOLLARS (\$500,000) ON A CLAIMS MADE BASIS AND ONE MILLION DOLLARS (\$1,000,000) IN THE AGGREGATE FOR ALL CLAIMS MADE AGAINST THE ARCHITECT AND HIS CONSULTANTS.**

#### IX. EXCLUSIONS

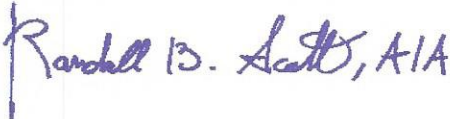
The following items are specifically excluded from the Design Team's scope of work and this proposal:

- A. Geotechnical engineering services.
- B. Environmental engineering services such as Phase I & Phase II environmental surveys of the site.
- C. Floodplain reclamation, modifications and adjustments
- D. Construction materials testing services.
- E. Cost estimating services (shall be provided by the CM at Risk).
- F. Site surveying (topographic and boundary with utilities information)
- G. Off-site paving, utilities and drainage system design services

**Randall Scott Architects appreciates the opportunity to submit the above Proposal and looks forward to working with the City of Parker on this important Project!**

Thank you,

RANDALL SCOTT ARCHITECTS, INC.

A handwritten signature in blue ink that reads "Randall B. Scott, AIA". The signature is written in a cursive, flowing style.

Randall B. Scott, AIA  
President & CEO



# AIA<sup>®</sup> Document B101<sup>™</sup> – 2017

## Standard Form of Agreement Between Owner and Architect

AGREEMENT made as of the 13th day of November in the year 2017  
(In words, indicate day, month and year.)

BETWEEN the Architect's client identified as the Owner:  
(Name, legal status, address and other information)

City of Parker  
5700 Parker Road, Parker, TX 75002

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

and the Architect:  
(Name, legal status, address and other information)

Randall Scott Architects, Inc. (also referred to herein as RSA)  
2140 Lake Park Blvd., Suite 300  
Dallas, TX 75080  
Telephone Number: 972.664.9100

for the following Project:  
(Name, location and detailed description)

Parker City Hall, Municipal Court and Police Complex  
5700 Parker Road, Parker, TX  
A new City Hall, Municipal Court and Police Complex for the City of Parker, TX. The project scope shall include a Facility Needs Assessment, Site Assessment, Conceptual Design and Final Design Services.

The Owner and Architect agree as follows.

Init.

## TABLE OF ARTICLES

- 1 INITIAL INFORMATION
- 2 ARCHITECT'S RESPONSIBILITIES
- 3 SCOPE OF ARCHITECT'S BASIC SERVICES
- 4 SUPPLEMENTAL AND ADDITIONAL SERVICES
- 5 OWNER'S RESPONSIBILITIES
- 6 COST OF THE WORK
- 7 COPYRIGHTS AND LICENSES
- 8 CLAIMS AND DISPUTES
- 9 TERMINATION OR SUSPENSION
- 10 MISCELLANEOUS PROVISIONS
- 11 COMPENSATION
- 12 SPECIAL TERMS AND CONDITIONS
- 13 SCOPE OF THE AGREEMENT

### ARTICLE 1 INITIAL INFORMATION

§ 1.1 This Agreement is based on the Initial Information set forth in this Section 1.1.

*(For each item in this section, insert the information or a statement such as "not applicable" or "unknown at time of execution.")*

§ 1.1.1 The Owner's program for the Project:

*(Insert the Owner's program, identify documentation that establishes the Owner's program, or state the manner in which the program will be developed.)*

Refer to Exhibit A - Architect's Fee Proposal revised date Feb. 7, 2018 attached hereto. The Program of Requirements (POR) for this project will be developed as part of the Needs Assessment Phase of the Architect's services.

§ 1.1.2 The Project's physical characteristics:

*(Identify or describe pertinent information about the Project's physical characteristics, such as size; location; dimensions; geotechnical reports; site boundaries; topographic surveys; traffic and utility studies; availability of public and private utilities and services; legal description of the site, etc.)*

The Project consists of a new combination City Hall/Municipal Court Building and demolition of the existing City Hall on the current site at 5700 Parker Rd. Parker, TX 75002. A new Police Facility shall also be constructed on the site as part of this project. The Police Facility will not include detention or dispatch. The City Hall/Municipal Court Building and the Police Facility may be combined into a single building or be standalone facilities. According to FEMA information available to RSA as of the time of this agreement, approximately 60% of the proposed site that lies north of the south tree line on the property is within the 100 year floodplain. The new building(s) and parking will need to be located outside of the floodplain or the floodplain will have to be altered if construction occurs within the floodplain boundary. RSA has not verified the exact location of the existing floodplain on the site as of the time of this Agreement and the location of this boundary could vary significantly. Part of the scope of the Needs Assessment Phase of this Project will be to verify the location of the floodplain and determine how that will

affect the location of the new building(s). The current sanitary leaching field south of the existing fire station may need to be relocated in order to construct this Project. The adequacy of existing utilities serving the site for the new building(s) is unknown to RSA as of the time of this Agreement.

§ 1.1.3 The Owner's budget for the Cost of the Work, as defined in Section 6.1:  
(Provide total and, if known, a line item breakdown.)

The budget for this Project will be determined during the Facility Needs Assessment phase of the Project.

§ 1.1.4 The Owner's anticipated design and construction milestone dates:

.1 Design phase milestone dates, if any:

The design schedule for this project will be determined during the Facility Needs Assessment phase of the Project.

.2 Construction commencement date:

The construction schedule for this project will be determined during the Facility Needs Assessment and Design phases of the Project in conjunction with the Owner and Construction Manager.

.3 Substantial Completion date or dates:

The construction schedule for this project will be determined during the Facility Needs Assessment and Design phases of the Project in conjunction with the Owner and Construction Manager.

.4 Other milestone dates:

§ 1.1.5 The Owner intends the following procurement and delivery method for the Project:  
(Identify method such as competitive bid or negotiated contract, as well as any requirements for accelerated or fast-track design and construction, multiple bid packages, or phased construction.)

Construction Manager at Risk will be the delivery process used. An early site package may be prepared in addition to the main bid package if required to meet the schedule.

§ 1.1.6 The Owner's anticipated Sustainable Objective for the Project:  
(Identify and describe the Owner's Sustainable Objective for the Project, if any.)

Sustainability objectives, if any, will be determined during the Facility needs Assessment phase of the Project

§ 1.1.6.1 If the Owner identifies a Sustainable Objective, the Owner and Architect shall complete and incorporate AIA Document E204™-2017, Sustainable Projects Exhibit, into this Agreement to define the terms, conditions and services related to the Owner's Sustainable Objective. Objective and the Architect's fees shall be adjusted accordingly. If E204-2017 is incorporated into this agreement, the Owner and Architect shall incorporate the completed E204-2017 into the agreements with the consultants and contractors performing services or Work in any way associated with the Sustainable Objective.

§ 1.1.7 The Owner identifies the following representative in accordance with Section 5.3:  
(List name, address, and other contact information.)

Jeff Flanigan

5700 Parker Road, Parker, TX 75002

§ 1.1.8 The persons or entities, in addition to the Owner's representative, who are required to review the Architect's submittals to the Owner are as follows:  
(List name, address, and other contact information.)

§ 1.1.9 The Owner shall retain the following consultants and contractors:  
(List name, legal status, address, and other contact information.)

.1 Geotechnical Engineer:

"TBD"

.2 Civil Engineer:

.3 Other, if any:

(List any other consultants and contractors retained by the Owner.)

Surveyor, Testing Services, and others TBD

§ 1.1.10 The Architect identifies the following representative in accordance with Section 2.3:  
(List name, address, and other contact information.)

Randall B. Scott, AIA  
Founding Principal/CEO  
2140 Lake Park Blvd., Suite 300  
Richardson, TX 75080  
972.664.9100  
Email Address: rscott@rsarchitects.com

§ 1.1.11 The Architect shall retain the consultants identified in Sections 1.1.11.1 and 1.1.11.2:  
(List name, legal status, address, and other contact information.)

§ 1.1.11.1 Consultants retained under Basic Services:

.1 Structural Engineer:

Gojer Associates  
11615 Forest Central Dr.  
Dallas, TX 75243

.2 Mechanical Engineer:

ME Engineers  
1825 Market Center Blvd., Suite 415  
Dallas, TX 75207

.3 Electrical Engineer:

ME Engineers  
1825 Market Center Blvd., Suite 415  
Dallas, TX 75207

§ 1.1.11.2 Consultants retained under Supplemental Services:

Civil Engineer - Gojer Associates  
Landscape Architect - Coleman Associates  
Acoustical Consultant - DataCom Design  
Audio/Visual Consultant - DataCom Design  
RAS - Johnson Kelley  
Envelope Consultant - CDC

§ 1.1.12 Other Initial Information on which the Agreement is based:

1.1.12.1 All services provided by the Architect and his consultants associated with modifications to the floodplain on the property (if any) will be provided as an additional service to be negotiated at the time of service.

1.1.12.2 The term Contractor as used in this Agreement and the term CM at Risk shall be synonymous and refer to the same entity.

§ 1.2 The Owner and Architect may rely on the Initial Information. Both parties, however, recognize that the Initial Information may materially change and, in that event, the Owner and the Architect shall appropriately adjust the Architect's services, schedule for the Architect's services, and the Architect's compensation. The Owner shall adjust the Owner's budget for the Cost of the Work and the Owner's anticipated design and construction milestones, as necessary, to accommodate material changes in the Initial Information.

§ 1.3 The parties shall agree upon protocols governing the transmission and use of Instruments of Service or any other information or documentation in digital form. The parties will use AIA Document E203™-2013, Building Information Modeling and Digital Data Exhibit, to establish the protocols for the development, use, transmission, and exchange of digital data.

§ 1.3.1 Any use of, or reliance on, all or a portion of a building information model without agreement to protocols governing the use of, and reliance on, the information contained in the model and without having those protocols set forth in AIA Document E203™-2013, Building Information Modeling and Digital Data Exhibit, and the requisite AIA Document G202™-2013, Project Building Information Modeling Protocol Form, shall be at the using or relying party's sole risk and without liability to the other party and its contractors or consultants, the authors of, or contributors to, the building information model, and each of their agents and employees.

## ARTICLE 2 ARCHITECT'S RESPONSIBILITIES

§ 2.1 The Architect shall provide professional services as set forth in this Agreement. The Architect represents that it is properly licensed in the jurisdiction where the Project is located to provide the services required by this Agreement, or shall cause such services to be performed by appropriately licensed design professionals.

**§ 2.2** The Architect shall perform its services consistent with the professional skill and care ordinarily provided by architects practicing in the same or similar locality under the same or similar circumstances. The Architect shall perform its services as expeditiously as is consistent with such professional skill and care and the orderly progress of the Project.

**§ 2.2.A** The Owner and Architect acknowledge that the Architect's standard of care is one of reasonable professional diligence and care of similarly situated architects performing the same or similar professional design services and that certain increased costs and changes may be required because of possible ambiguities and inconsistencies in the drawings and specifications prepared by the Architect or its consultants. In recognition of the foregoing, the Owner shall set aside in the Project Budget, a contingency equal to 3% of the Construction Cost of the work as a contingency to be used, as required, to pay for the increased or additional costs related to any ambiguities or inconsistencies in the drawings and specifications that may be committed despite the exercise of reasonable professional diligence and care, (the "Contingency"). The "Contingency" shall be in addition to any separate Owner and construction contingencies and shall not be used to fund costs that are typically funded by such other contingencies (such as Owner requested changes to the Work, changed site conditions, unforeseen conditions, Contractor or subcontractor default, or acceleration costs). The Owner shall make no claim against the Architect or its consultants for any costs, expenses or damages to the extent that such costs, expenses or damages are equal to or less than 3% of the Cost of the Work.

**§ 2.2.B** It is well recognized that an Architect is not liable to an Owner for costs incurred to provide and install an omitted item. In no event, shall the Architect or the Architect's consultants be responsible for any cost or expense that is related to: an omission, provides a betterment, upgrade or enhancement of the Project, as these costs or expenses would have been part of the Project construction costs in the first place. These are part of the Owner's cost of the Project and shall be covered by the Owner's separate project contingencies.

**§ 2.2.C** Paragraphs 2.2.A and 2.2.B are not intended to cover and shall not include costs and damages associated with material design errors and/or omissions, the correction of which causes or results in damages to other work not associated with the design error or omission. Additionally, paragraphs 2.2.A and 2.2.B shall not include delay or acceleration costs or damages resulting from such design error or omission for which Architect's professional liability or general liability insurance is liable.

**§ 2.3** The Architect shall identify a representative authorized to act on behalf of the Architect with respect to the Project.

**§ 2.4** Except with the Owner's knowledge and consent, the Architect shall not engage in any activity, or accept any employment, interest or contribution that would reasonably appear to compromise the Architect's professional judgment with respect to this Project.

**§ 2.5** The Architect shall maintain the following insurance until termination of this Agreement. If any of the requirements set forth below are in addition to the types and limits the Architect normally maintains, the Owner shall pay the Architect as set forth in Section 11.9.

**§ 2.5.1** Commercial General Liability with policy limits of not less than (\$ 1,000,000 ) for each occurrence and (\$ 2,000,000 ) in the aggregate for bodily injury and property damage.

**§ 2.5.2** Automobile Liability covering vehicles owned, and non-owned vehicles used, by the Architect with policy limits of not less than (\$ 1,000,000 ) per accident for bodily injury, death of any person, and property damage arising out of the ownership, maintenance and use of those motor vehicles, along with any other statutorily required automobile coverage.

**§ 2.5.3** The Architect may achieve the required limits and coverage for Commercial General Liability and Automobile Liability through a combination of primary and excess or umbrella liability insurance, provided such primary and excess or umbrella liability insurance policies result in the same or greater coverage as the coverages required under Sections 2.5.1 and 2.5.2, and in no event shall any excess or umbrella liability insurance provide narrower coverage than the primary policy. The excess policy shall not require the exhaustion of the underlying limits only through the actual payment by the underlying insurers.

**§ 2.5.4** Workers' Compensation at statutory limits.

~~§ 2.5.5 Employers' Liability with policy limits not less than (\$ ) each accident, (\$ ) each employee, and (\$ ) policy limit.~~

§ 2.5.6 Professional Liability covering negligent acts, errors and omissions in the performance of professional services with policy limits of not less than Five hundred thousand dollars (\$ 500,000 ) per claim and One million dollars (\$ 1,000,000 ) in the aggregate.

§ 2.5.7 **Additional Insured Obligations.** To the fullest extent permitted by law, the Architect shall cause the primary and excess or umbrella policies for Commercial General Liability and Automobile Liability to include the Owner as an additional insured for claims caused in whole or in part by the Architect's negligent acts or omissions. The additional insured coverage shall be primary and non-contributory to any of the Owner's insurance policies and shall apply to both ongoing and completed operations.

§ 2.5.8 The Architect shall provide certificates of insurance to the Owner that evidence compliance with the requirements in this Section 2.5.

### ARTICLE 3 SCOPE OF ARCHITECT'S BASIC SERVICES

§ 3.1 The Architect's Basic Services consist of those described in this Article 3 and include usual and customary structural, mechanical, and electrical engineering services. Services not set forth in this Article 3 are Supplemental or Additional Services.

§ 3.1.1 The Architect shall manage the Architect's services, research applicable design criteria, attend Project meetings, communicate with members of the Project team, and report progress to the Owner.

§ 3.1.2 The Architect shall coordinate its services with those services provided by the Owner and the Owner's consultants. The Architect shall be entitled to rely on, and shall not be responsible for, the accuracy, completeness, and timeliness of, services and information furnished by the Owner and the Owner's consultants. The Architect shall provide prompt written notice to the Owner if the Architect becomes aware of any error, omission, or inconsistency in such services or information.

§ 3.1.3 As soon as practicable after the date of this Agreement, the Architect shall submit for the Owner's approval a schedule for the performance of the Architect's services. The schedule initially shall include anticipated dates for the commencement of construction and for Substantial Completion of the Work as set forth in the Initial Information. The schedule shall include allowances for periods of time required for the Owner's review, for the performance of the Owner's consultants, and for approval of submissions by authorities having jurisdiction over the Project. Once approved by the Owner, time limits established by the schedule shall not, except for reasonable cause, be exceeded by the Architect or Owner. With the Owner's approval, the Architect shall adjust the schedule, if necessary, as the Project proceeds until the commencement of construction.

§ 3.1.4 The Architect shall not be responsible for an Owner's directive or substitution, or for the Owner's acceptance of non-conforming Work, made or given without the Architect's written approval.

§ 3.1.5 The Architect shall contact governmental authorities required to approve the Construction Documents and entities providing utility services to the Project. The Architect shall respond to applicable design requirements imposed by those authorities and entities.

§ 3.1.6 The Architect shall assist the Owner in connection with the Owner's responsibility for filing documents required for the approval of governmental authorities having jurisdiction over the Project.

§ 3.1.7 The Owner acknowledges that all projects in Texas such as the one being contemplated are required by Texas law to be submitted to the Texas Department of Licensing and Regulation (TDLR) for handicap accessibility review. The Architect will submit plans for the Project to TDLR for review. The Owner acknowledges that the Construction Documents are not complete until TDLR has approved them and any comments they require are incorporated in them even though construction may have begun or even been completed before comments are received. The Architect and his consultants shall not be held financially responsible for changes to the project required by TDLR.

### § 3.2 Schematic Design Phase Services

§ 3.2.1 The Architect shall review the program and other information furnished by the Owner, and shall review laws, codes, and regulations applicable to the Architect's services.

§ 3.2.2 The Architect shall prepare a preliminary evaluation of the Owner's program, schedule, budget for the Cost of the Work, Project site, the proposed procurement and delivery method, and other Initial Information, each in terms of the other, to ascertain the requirements of the Project. The Architect shall notify the Owner of (1) any inconsistencies discovered in the information, and (2) other information or consulting services that may be reasonably needed for the Project.

§ 3.2.3 The Architect shall present its preliminary evaluation to the Owner and shall discuss with the Owner alternative approaches to design and construction of the Project. The Architect shall reach an understanding with the Owner regarding the requirements of the Project.

§ 3.2.4 Based on the Project requirements agreed upon with the Owner, the Architect shall prepare and present, for the Owner's approval, a preliminary design illustrating the scale and relationship of the Project components.

§ 3.2.5 Based on the Owner's approval of the preliminary design, the Architect shall prepare Schematic Design Documents for the Owner's approval. The Schematic Design Documents shall consist of drawings and other documents including a site plan, if appropriate, and preliminary building plans, sections and elevations; and may include some combination of study models, perspective sketches, or digital representations. Preliminary selections of major building systems and construction materials shall be noted on the drawings or described in writing.

§ 3.2.5.1 The Architect shall consider sustainable design alternatives, such as material choices and building orientation, together with other considerations based on program and aesthetics, in developing a design that is consistent with the Owner's program, schedule and budget for the Cost of the Work. The Owner may obtain more advanced sustainable design services as a Supplemental Service under Section 4.1.1.

§ 3.2.5.2 The Architect shall consider the value of alternative materials, building systems and equipment, together with other considerations based on program and aesthetics, in developing a design for the Project that is consistent with the Owner's program, schedule, and budget for the Cost of the Work.

§ 3.2.6 The Architect shall ~~submit to the Owner and~~ provide Schematic Design Documents to the Owner's Construction Manager (CM) at Risk and coordinate with the CM at Risk in the preparation of its SD Phase estimate of the Cost of the Work prepared in accordance with Section 6.3.

§ 3.2.7 The Architect shall submit the Schematic Design Documents to the Owner, and request the Owner's approval.

§ 3.2.8 The Architect shall collaborate with the Owner and CM at Risk to make adjustments to the scope of Work (Project requirements), CM at Risk's SD cost estimate and the Owner's construction budget such that they are in substantial agreement prior to moving to the next phase of work.

### § 3.3 Design Development Phase Services

§ 3.3.1 Based on the Owner's approval of the Schematic Design Documents, and on the Owner's authorization of any adjustments in the Project requirements and the budget for the Cost of the Work, the Architect shall prepare Design Development Documents for the Owner's approval. The Design Development Documents shall illustrate and describe the development of the approved Schematic Design Documents and shall consist of drawings and other documents including plans, sections, elevations, typical construction details, and diagrammatic layouts of building systems to fix and describe the size and character of the Project as to architectural, structural, mechanical and electrical systems, and other appropriate elements. The Design Development Documents shall also include outline specifications that identify major materials and systems and establish, in general, their quality levels.

§ 3.3.2 The Architect shall ~~update the~~ coordinate with the Owner's CM at Risk in updating its estimate of the Cost of the Work prepared in accordance with Section 6.3.

**§ 3.3.3** The Architect shall submit the Design Development Documents to the Owner, ~~advise the Owner of any adjustments to the~~ collaborate with the Owner and CM at Risk on any adjustments to the CM at Risk's estimate of the Cost of the Work, and request the Owner's approval.

**§ 3.3.4** The Architect shall collaborate with the Owner and CM at Risk to make adjustments to the scope of Work (Project requirements), CM at Risk's DD cost estimate, and the Owner's construction budget such that they are in substantial agreement prior to moving to the next phase of work.

#### **§ 3.4 Construction Documents Phase Services**

**§ 3.4.1** Based on the Owner's approval of the Design Development Documents, and on the Owner's authorization of any adjustments in the Project requirements and the budget for the Cost of the Work, the Architect shall prepare Construction Documents for the Owner's approval. The Construction Documents shall illustrate and describe the further development of the approved Design Development Documents and shall consist of Drawings and Specifications setting forth in detail the quality levels and performance criteria of materials and systems and other requirements for the construction of the Work. The Owner and Architect acknowledge that, in order to perform the Work, the Contractor will provide additional information, including Shop Drawings, Product Data, Samples and other similar submittals, which the Architect shall review in accordance with Section 3.6.4. The Contractor shall prepare a BIM coordination model which shall be a requirements of the Construction Documents.

**§ 3.4.2** The Architect shall incorporate the design requirements of governmental authorities having jurisdiction over the Project into the Construction Documents.

**§ 3.4.3** During the development of the Construction Documents, the Architect shall assist the Owner in the development and preparation of (1) procurement information that describes the time, place, and conditions of bidding, including bidding or proposal forms; (2) the form of agreement between the Owner and Contractor; and (3) the Conditions of the Contract for Construction (General, Supplementary and other Conditions). The Architect shall also compile a project manual that includes the Conditions of the Contract for Construction and Specifications, and may include bidding requirements and sample forms.

**§ 3.4.4** The Architect shall ~~update the~~ assist the Construction Manager at risk in updating its estimate for the Cost of the Work prepared in accordance with Section 6.3.

**§ 3.4.5** The Architect shall submit the Construction Documents to the Owner, ~~advise the Owner of any adjustments to the~~ coordinate with the CM at Risk and the Owner on any adjustments to the CM at Risk's estimate of the Cost of the Work, take any action required under Section 6.5, and request the Owner's approval.

#### **§ 3.5 Procurement Phase Services**

##### **§ 3.5.1 General**

The Architect shall assist the Owner in establishing a list of prospective ~~contractors~~ contractors/Construction Managers. Following the Owner's approval of the Construction Documents, the Architect shall assist the Owner in (1) obtaining either competitive bids or negotiated proposals; (2) confirming responsiveness of bids or proposals; (3) determining the successful bid or proposal, if any; and, (4) awarding and preparing contracts for construction.

##### **§ 3.5.2 Competitive Bidding**

**§ 3.5.2.1** Bidding Documents shall consist of bidding requirements and proposed Contract Documents.

**§ 3.5.2.2** The Architect shall assist the Owner in bidding the Project by:

1. facilitating the distribution of digital versions (PDF's) of Bidding Documents to prospective bidders;
2. organizing and conducting a pre-bid conference for prospective bidders;
3. preparing responses to questions from prospective bidders and providing clarifications and interpretations of the Bidding Documents to the prospective bidders in the form of addenda; and,
4. organizing and conducting the opening of the bids, and subsequently documenting and distributing the bidding results, as directed by the Owner.

**§ 3.5.2.3** If the Bidding Documents permit substitutions, upon the Owner's written authorization, the Architect shall, as an Additional Service, consider requests for substitutions and prepare and distribute addenda identifying approved substitutions to all prospective bidders.

Init.

### § 3.5.3 Negotiated Proposals

§ 3.5.3.1 Proposal Documents shall consist of proposal requirements and proposed Contract Documents.

§ 3.5.3.2 The Architect shall assist the Owner in obtaining proposals by:

- .1 facilitating the distribution of digital versions (PDF's) of Proposal Documents for distribution to prospective contractors and requesting their return upon completion of the negotiation process;
- .2 organizing and participating in selection interviews with prospective contractors;
- .3 preparing responses to questions from prospective contractors and providing clarifications and interpretations of the Proposal Documents to the prospective contractors in the form of addenda; and,
- .4 participating in negotiations with prospective contractors, and subsequently preparing a summary report of the negotiation results, as directed by the Owner.

§ 3.5.3.3 If the Proposal Documents permit substitutions, upon the Owner's written authorization, the Architect shall, as an Additional Service, consider requests for substitutions and prepare and distribute addenda identifying approved substitutions to all prospective contractors.

### § 3.6 Construction Phase Services

#### § 3.6.1 General

§ 3.6.1.1 The Architect shall provide administration of the Contract between the Owner and the Contractor as set forth below and in AIA Document A201™-2017, General Conditions of the Contract for Construction. If the Owner and Contractor modify AIA Document A201-2017, those modifications shall not affect the Architect's services under this Agreement unless the Owner and the Architect amend this Agreement.

§ 3.6.1.2 The Architect shall advise and consult with the Owner during the Construction Phase Services. The Architect shall have authority to act on behalf of the Owner only to the extent provided in this Agreement. The Architect shall not have control over, charge of, or responsibility for the construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, nor shall the Architect be responsible for the Contractor's failure to perform the Work in accordance with the requirements of the Contract Documents. The Architect shall be responsible for the Architect's negligent acts or omissions, but shall not have control over or charge of, and shall not be responsible for, acts or omissions of the Contractor or of any other persons or entities performing portions of the Work.

§ 3.6.1.3 Subject to Section 4.2 and except as provided in Section 3.6.6.5, the Architect's responsibility to provide Construction Phase Services commences with the award of the Contract for Construction and terminates on the date the Architect issues the final Certificate for Payment.

#### § 3.6.2 Evaluations of the Work

§ 3.6.2.1 The Architect shall visit the site at intervals appropriate to the stage of construction, or as otherwise required in Section 4.2.3, to become generally familiar with the progress and quality of the portion of the Work completed, and to determine, in general, if the Work observed is being performed in a manner indicating that the Work, when fully completed, will be in accordance with the Contract Documents. However, the Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. On the basis of the site visits, the Architect shall keep the Owner reasonably informed about the progress and quality of the portion of the Work completed, and promptly report to the Owner (1) known deviations from the Contract Documents, (2) known deviations from the most recent construction schedule submitted by the Contractor, and (3) defects and deficiencies observed in the Work.

§ 3.6.2.2 The Architect has the authority to reject Work that does not conform to the Contract Documents. Whenever the Architect considers it necessary or advisable, the Architect shall have the authority to require inspection or testing of the Work in accordance with the provisions of the Contract Documents, whether or not the Work is fabricated, installed or completed. However, neither this authority of the Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Architect to the Contractor, Subcontractors, suppliers, their agents or employees, or other persons or entities performing portions of the Work.

§ 3.6.2.3 The Architect shall interpret and decide matters concerning performance under, and requirements of, the Contract Documents on written request of either the Owner or Contractor. The Architect's response to such requests shall be made in writing within any time limits agreed upon or otherwise with reasonable promptness.

§ 3.6.2.4 Interpretations and decisions of the Architect shall be consistent with the intent of, and reasonably inferable from, the Contract Documents and shall be in writing or in the form of drawings. When making such interpretations and decisions, the Architect shall endeavor to secure faithful performance by both Owner and Contractor, shall not show partiality to either, and shall not be liable for results of interpretations or decisions rendered in good faith. The Architect's decisions on matters relating to aesthetic effect shall be final if consistent with the intent expressed in the Contract Documents.

§ 3.6.2.5 Unless the Owner and Contractor designate another person to serve as an Initial Decision Maker, as that term is defined in AIA Document A201-2017, the Architect shall render initial decisions on Claims between the Owner and Contractor as provided in the Contract Documents.

### § 3.6.3 Certificates for Payment to Contractor

§ 3.6.3.1 The Architect shall review and certify the amounts due the Contractor and shall issue certificates in such amounts. The Architect's certification for payment shall constitute a representation to the Owner, based on the Architect's evaluation of the Work as provided in Section 3.6.2 and on the data comprising the Contractor's Application for Payment, that, to the best of the Architect's knowledge, information and belief, the Work has progressed to the point indicated, the quality of the Work is in accordance with the Contract Documents, and that the Contractor is entitled to payment in the amount certified. The foregoing representations are subject to (1) an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, (2) results of subsequent tests and inspections, (3) correction of minor deviations from the Contract Documents prior to completion, and (4) specific qualifications expressed by the Architect.

§ 3.6.3.2 The issuance of a Certificate for Payment shall not be a representation that the Architect has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and suppliers and other data requested by the Owner to substantiate the Contractor's right to payment, or (4) ascertained how or for what purpose the Contractor has used money previously paid on account of the Contract Sum.

§ 3.6.3.3 The Architect shall maintain a record of the Applications and Certificates for Payment.

### § 3.6.4 Submittals

§ 3.6.4.1 The Architect shall review the Contractor's submittal schedule and shall not unreasonably delay or withhold approval of the schedule. The Architect's action in reviewing submittals shall be taken in accordance with the approved submittal schedule or, in the absence of an approved submittal schedule, with reasonable promptness while allowing sufficient time, in the Architect's professional judgment, to permit adequate review.

§ 3.6.4.2 The Architect shall review and approve, or take other appropriate action upon, the Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of such submittals is not for the purpose of determining the accuracy and completeness of other information such as dimensions, quantities, and installation or performance of equipment or systems, which are the Contractor's responsibility. The Architect's review shall not constitute approval of safety precautions or construction means, methods, techniques, sequences or procedures. The Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

§ 3.6.4.3 If the Contract Documents specifically require the Contractor to provide professional design services or certifications by a design professional related to systems, materials, or equipment, the Architect shall specify the appropriate performance and design criteria that such services must satisfy. The Architect shall review and take appropriate action on Shop Drawings and other submittals related to the Work designed or certified by the Contractor's design professional, provided the submittals bear such professional's seal and signature when submitted to the Architect. The Architect's review shall be for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Architect shall be entitled to

rely upon, and shall not be responsible for, the adequacy and accuracy of the services, certifications, and approvals performed or provided by such design professionals.

§ 3.6.4.4 Subject to Section 4.2, the Architect shall review and respond to requests for information about the Contract Documents. The Architect shall set forth, in the Contract Documents, the requirements for requests for information. Requests for information shall include, at a minimum, a detailed written statement that indicates the specific Drawings or Specifications in need of clarification and the nature of the clarification requested. The Architect's response to such requests shall be made in writing within any time limits agreed upon, or otherwise with reasonable promptness. If appropriate, the Architect shall prepare and issue supplemental Drawings and Specifications in response to the requests for information.

§ 3.6.4.5 The Architect shall maintain a record of submittals and copies of submittals supplied by the Contractor in accordance with the requirements of the Contract Documents.

### § 3.6.5 Changes in the Work

§ 3.6.5.1 The Architect may order minor changes in the Work that are consistent with the intent of the Contract Documents and do not involve an adjustment in the Contract Sum or an extension of the Contract Time. Subject to Section 4.2, the Architect shall prepare Change Orders and Construction Change Directives for the Owner's approval and execution in accordance with the Contract Documents.

§ 3.6.5.2 The Architect shall maintain records relative to changes in the Work.

### § 3.6.6 Project Completion

§ 3.6.6.1 The Architect shall:

- .1 conduct inspections to determine the date or dates of Substantial Completion and the date of final completion;
- .2 issue Certificates of Substantial Completion;
- .3 forward to the Owner, for the Owner's review and records, written warranties and related documents required by the Contract Documents and received from the Contractor; and,
- .4 issue a final Certificate for Payment based upon a final inspection indicating that, to the best of the Architect's knowledge, information, and belief, the Work complies with the requirements of the Contract Documents.

§ 3.6.6.2 The Architect's inspections shall be conducted with the Owner to check conformance of the Work with the requirements of the Contract Documents and to verify the accuracy and completeness of the list submitted by the Contractor of Work to be completed or corrected.

§ 3.6.6.3 When Substantial Completion has been achieved, the Architect shall inform the Owner about the balance of the Contract Sum remaining to be paid the Contractor, including the amount to be retained from the Contract Sum, if any, for final completion or correction of the Work.

§ 3.6.6.4 The Architect shall forward to the Owner the following information received from the Contractor: (1) consent of surety or sureties, if any, to reduction in or partial release of retainage or the making of final payment; (2) affidavits, receipts, releases and waivers of liens, or bonds indemnifying the Owner against liens; and (3) any other documentation required of the Contractor under the Contract Documents.

§ 3.6.6.5 Upon request of the Owner, and prior to the expiration of one year from the date of Substantial Completion, the Architect shall, without additional compensation, conduct a meeting with the Owner to review the facility operations and performance.

## ARTICLE 4 SUPPLEMENTAL AND ADDITIONAL SERVICES

### § 4.1 Supplemental Services

§ 4.1.1 The services listed below are not included in Basic Services but may be required for the Project. The Architect shall provide the listed Supplemental Services only if specifically designated in the table below as the Architect's responsibility, and the Owner shall compensate the Architect as provided in Section 11.2. Unless otherwise specifically addressed in this Agreement, if neither the Owner nor the Architect is designated, the parties agree that the listed Supplemental Service is not being provided for the Project.

(Designate the Architect's Supplemental Services and the Owner's Supplemental Services required for the Project by indicating whether the Architect or Owner shall be responsible for providing the identified Supplemental Service. Insert a description of the Supplemental Services in Section 4.1.2 below or attach the description of services as an exhibit to this Agreement.)

Supplemental Services	Responsibility (Architect, Owner, or not provided)
§ 4.1.1.1 Programming	<u>Architect</u>
§ 4.1.1.2 Multiple preliminary designs	<u>Not Provided</u>
§ 4.1.1.3 Measured drawings	<u>Not Provided</u>
§ 4.1.1.4 Existing facilities surveys	<u>Not Provided</u>
§ 4.1.1.5 Site evaluation and planning	<u>Architect</u>
§ 4.1.1.6 Building Information Model management responsibilities	<u>Architect</u>
§ 4.1.1.7 Development of Building Information Models for post construction use	<u>Not Provided</u>
§ 4.1.1.8 Civil engineering	<u>Architect</u>
§ 4.1.1.9 Landscape design	<u>Architect</u>
§ 4.1.1.10 Architectural interior design	<u>Architect</u>
§ 4.1.1.11 Value analysis	<u>Not Provided</u>
§ 4.1.1.12 Detailed cost estimating beyond that required in Section 6.3	<u>Not Provided</u>
§ 4.1.1.13 On-site project representation	<u>Not Provided</u>
§ 4.1.1.14 Conformed documents for construction	<u>Architect</u>
§ 4.1.1.15 As-designed record drawings	<u>Architect</u>
§ 4.1.1.16 As-constructed record drawings	<u>Not Provided</u>
§ 4.1.1.17 Post-occupancy evaluation	<u>Not Provided</u>
§ 4.1.1.18 Facility support services	<u>Not Provided</u>
§ 4.1.1.19 Tenant-related services	<u>N/A</u>
§ 4.1.1.20 Architect's coordination of the Owner's consultants	<u>Not Provided</u>
§ 4.1.1.21 Telecommunications/data design	<u>Architect</u>
§ 4.1.1.22 Security evaluation and planning	<u>Architect</u>
§ 4.1.1.23 Commissioning	<u>Not Provided</u>
§ 4.1.1.24 Sustainable Project Services pursuant to Section 4.1.3	<u>Not Provided</u>
§ 4.1.1.25 Fast-track design services	<u>Not Provided</u>
§ 4.1.1.26 Multiple bid packages	<u>Not Provided</u>
§ 4.1.1.27 Historic preservation	<u>Not Provided</u>
§ 4.1.1.28 Furniture, furnishings, and equipment design	<u>Architect</u>
§ 4.1.1.29 Other services provided by specialty Consultants	<u>Architect</u>
§ 4.1.1.30 Other Supplemental Services	<u>Refer to Architect's Fee Proposal Exhibit A</u>

#### § 4.1.2 Description of Supplemental Services

§ 4.1.2.1 A description of each Supplemental Service identified in Section 4.1.1 as the Architect's responsibility is provided below.

(Describe in detail the Architect's Supplemental Services identified in Section 4.1.1 or, if set forth in an exhibit, identify the exhibit. The AIA publishes a number of Standard Form of Architect's Services documents that can be included as an exhibit to describe the Architect's Supplemental Services.)

AIA Document B101™ – 2017. Copyright © 1974, 1978, 1987, 1997, 2007 and 2017 by The American Institute of Architects. All rights reserved. **WARNING:** This AIA® Document is protected by U.S. Copyright Law and International Treaties. Unauthorized reproduction or distribution of this AIA® Document, or any portion of it, may result in severe civil and criminal penalties, and will be prosecuted to the maximum extent possible under the law. This document was produced by AIA software at 11:31:17 on 02/07/2018 under Order No. 1638052619 which expires on 01/02/2019, and is not for resale.

User Notes:

(3B9ADA18)

Init.

Refer to Architect's Fee Proposal attached to this Agreement as Exhibit A.

§ 4.1.2.2 A description of each Supplemental Service identified in Section 4.1.1 as the Owner's responsibility is provided below.

*(Describe in detail the Owner's Supplemental Services identified in Section 4.1.1 or, if set forth in an exhibit, identify the exhibit.)*

§ 4.1.3 If the Owner identified a Sustainable Objective in Article 1, the Architect shall provide, as a Supplemental Service, the Sustainability Services required in AIA Document E204™-2017, Sustainable Projects Exhibit, attached to this Agreement. The Owner shall compensate the Architect as provided in Section 11.2.

#### § 4.2 Architect's Additional Services

The Architect may provide Additional Services after execution of this Agreement without invalidating the Agreement. Except for services required due to the fault of the Architect, any Additional Services provided in accordance with this Section 4.2 shall entitle the Architect to compensation pursuant to Section 11.3 and an appropriate adjustment in the Architect's schedule.

§ 4.2.1 Upon recognizing the need to perform the following Additional Services, the Architect shall notify the Owner with reasonable promptness and explain the facts and circumstances giving rise to the need. The Architect shall not proceed to provide the following Additional Services until the Architect receives the Owner's written authorization:

- .1 Services necessitated by a change in the Initial Information, previous instructions or approvals given by the Owner, or a material change in the Project including size, quality, complexity, the Owner's schedule or budget for Cost of the Work, or procurement or delivery method;
- .2 Services necessitated by the enactment or revision of codes, laws, or regulations, including changing or editing previously prepared Instruments of Service;
- .3 Changing or editing previously prepared Instruments of Service necessitated by official interpretations of applicable codes, laws or regulations that are either (a) contrary to specific interpretations by the applicable authorities having jurisdiction made prior to the issuance of the building permit, or (b) contrary to requirements of the Instruments of Service when those Instruments of Service were prepared in accordance with the applicable standard of care;
- .4 Services necessitated by decisions of the Owner not rendered in a timely manner or any other failure of performance on the part of the Owner or the Owner's consultants or contractors;
- .5 Preparing digital models or other design documentation for transmission to the Owner's consultants, CM at Risk's and contractors, or to other Owner-authorized recipients;
- .6 Preparation of design and documentation for alternate bid or proposal requests proposed by the Owner;
- .7 Preparation for, and attendance at, a public presentation, meeting or hearing;
- .8 Preparation for, and attendance at, a dispute resolution proceeding or legal proceeding, except where the Architect is party thereto;
- .9 Evaluation of the qualifications of entities providing bids or proposals;
- .10 Consultation concerning replacement of Work resulting from fire or other cause during construction; or,
- .11 Assistance to the Initial Decision Maker, if other than the Architect; or,
- .12 Design services in regards to existing physical conditions that could not be reasonably known or discovered prior to construction.

§ 4.2.2 To avoid delay in the Construction Phase, the Architect shall provide the following Additional Services, notify the Owner with reasonable promptness, and explain the facts and circumstances giving rise to the need. If, upon receipt of the Architect's notice, the Owner determines that all or parts of the services are not required, the Owner shall give prompt written notice to the Architect of the Owner's determination. The Owner shall compensate the Architect for the services provided prior to the Architect's receipt of the Owner's notice.

- .1 Reviewing a Contractor's submittal out of sequence from the submittal schedule approved by the Architect;
- .2 Responding to the Contractor's requests for information that are not prepared in accordance with the Contract Documents or where such information is available to the Contractor from a careful study

- and comparison of the Contract Documents, field conditions, other Owner-provided information, Contractor-prepared coordination drawings, or prior Project correspondence or documentation;
- .3 Preparing Change Orders and Construction Change Directives that require evaluation of Contractor's proposals and supporting data, or the preparation or revision of Instruments of Service;
- .4 Evaluating an extensive number of Claims as the Initial Decision Maker; or,
- .5 Evaluating substitutions proposed by the Owner or Contractor after 7 days prior to the GMP proposal date and making subsequent revisions to Instruments of Service resulting therefrom.

§ 4.2.3 The Architect shall provide Construction Phase Services exceeding the limits set forth below as Additional Services. When the limits below are reached, the Architect shall notify the Owner:

- .1 Two ( 2 ) reviews of each Shop Drawing, Product Data item, sample and similar submittals of the Contractor
- .2 Thirty-two ( 32 ) visits to the site by the Architect during construction
- .3 Two ( 2 ) inspections for any portion of the Work to determine whether such portion of the Work is substantially complete in accordance with the requirements of the Contract Documents
- .4 ~~( - ) inspections~~ One ( 1 ) inspection for any portion of the Work to determine final completion.

§ 4.2.4 Except for services required under Section 3.6.6.5 and those services that do not exceed the limits set forth in Section 4.2.3, Construction Phase Services provided more than 60 days after (1) the date of Substantial Completion of the Work or (2) the initial date of Substantial Completion identified in the agreement between the Owner and Contractor, whichever is earlier, shall be compensated as Additional Services to the extent the Architect incurs additional cost in providing those Construction Phase Services.

§ 4.2.5 If the services covered by this Agreement have not been completed within Twenty-five ( 25 ) months of the date of this Agreement, through no fault of the Architect, extension of the Architect's services beyond that time shall be compensated as Additional Services.

## ARTICLE 5 OWNER'S RESPONSIBILITIES

§ 5.1 Unless otherwise provided for under this Agreement, the Owner shall provide information in a timely manner regarding requirements for and limitations on the Project, including completion of the Architect's Needs Assessment Questionnaire with a written program, which shall set forth the Owner's objectives; schedule; constraints and criteria, including space requirements and relationships; flexibility; expandability; special equipment; systems; and site requirements.

§ 5.2 The Owner shall establish the Owner's budget for the Project, including (1) the budget for the Cost of the Work as defined in Section 6.1; (2) the Owner's other costs; and, (3) reasonable contingencies related to all of these costs. The Owner shall update the Owner's budget for the Project as necessary throughout the duration of the Project until final completion. If the Owner significantly increases or decreases the Owner's budget for the Cost of the Work, the Owner shall notify the Architect. The Owner and the Architect shall thereafter agree to a corresponding change in the Project's scope and quality.

§ 5.3 The Owner shall identify a representative authorized to act on the Owner's behalf with respect to the Project. The Owner shall render decisions and approve the Architect's submittals in a timely manner in order to avoid unreasonable delay in the orderly and sequential progress of the Architect's services.

§ 5.4 The Owner shall furnish surveys to describe physical characteristics, legal limitations and utility locations for the site of the Project, and a written legal description of the site. The surveys and legal information shall include, as applicable, grades and lines of streets, alleys, pavements and adjoining property and structures; designated wetlands; floodplain, adjacent drainage; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions, and other necessary data with respect to existing buildings, other improvements and ~~trees~~; trees including caliper of trees at 36" above grade and species; and information concerning available utility services and lines, both public and private, above and below grade, including ~~inverts~~ inverts, flow lines and depths. All the information on the survey shall be referenced to a Project ~~benchmark~~ benchmark and USGS elevations.

§ 5.5 The Owner shall furnish services of geotechnical engineers, which may include test borings, test pits, determinations of soil bearing values, percolation tests, evaluations of hazardous materials, seismic evaluation,

Init.

ground corrosion tests and resistivity tests, including necessary operations for anticipating subsoil conditions, with written reports and appropriate recommendations. Geotech report shall include deep borings under proposed building at locations and shallow borings under proposed paving at locations as requested by the Architect.

§ 5.6 The Owner shall provide the Supplemental Services designated as the Owner's responsibility in Section 4.1.1.

§ 5.7 If the Owner identified a Sustainable Objective in Article 1, the Owner shall fulfill its responsibilities as required in AIA Document E204™–2017, Sustainable Projects Exhibit, attached to this Agreement.

§ 5.8 The Owner shall coordinate the services of its own consultants with those services provided by the Architect. Upon the Architect's request, the Owner shall furnish copies of the scope of services in the contracts between the Owner and the Owner's consultants. The Owner shall furnish the services of consultants other than those designated as the responsibility of the Architect in this Agreement, or authorize the Architect to furnish them as an Additional Service, when the Architect requests such services and demonstrates that they are reasonably required by the scope of the Project. The Owner shall require that its consultants and contractors maintain insurance, including professional liability insurance, as appropriate to the services or work provided.

§ 5.9 The Owner shall furnish tests, inspections and reports required by law or the Contract Documents, such as structural, mechanical, and chemical tests, tests for air and water pollution, and tests for hazardous materials. Such testing, inspections and reports shall include at a minimum:

1. Construction materials testing inspections and reports such as concrete testing (cylinder preparation, breaks, air entrainment, slump, temperature, water added and other requirements of the contract documents), grout/mortar testing, and steel erection testing and inspection (bolt tightness and welding quality).
2. Air barrier testing, inspections and reports.
3. HVAC Test and Balancing and reports.
4. Window testing, inspection and reports.
5. Other tests, inspections and reports as required by the Construction Documents or requested by the Architect and his consultants.

§ 5.10 The Owner shall furnish all legal, insurance and accounting services, including auditing services, that may be reasonably necessary at any time for the Project to meet the Owner's needs and interests.

§ 5.11 The Owner shall provide prompt written notice to the Architect if the Owner becomes aware of any fault or defect in the Project, including errors, omissions or inconsistencies in the Architect's Instruments of Service.

§ 5.12 The Owner shall include the Architect in all communications with the Contractor that relate to or affect the Architect's services or professional responsibilities. The Owner shall promptly notify the Architect of the substance of any direct communications between the Owner and the Contractor otherwise relating to the Project. Communications by and with the Architect's consultants shall be through the Architect.

§ 5.13 Before executing the Contract for Construction, the Owner shall coordinate the Architect's duties and responsibilities set forth in the Contract for Construction with the Architect's services set forth in this Agreement. The Owner shall provide the Architect a copy of the executed agreement between the Owner and Contractor, including the General Conditions of the Contract for Construction.

§ 5.14 The Owner shall provide the Architect access to the Project site prior to commencement of the Work and shall obligate the Contractor to provide the Architect access to the Work wherever it is in preparation or progress.

§ 5.15 Within 15 days after receipt of a written request from the Architect, the Owner shall furnish the requested information as necessary and relevant for the Architect to evaluate, give notice of, or enforce lien rights.

## ARTICLE 6 COST OF THE WORK

§ 6.1 For purposes of this Agreement, the Cost of the Work shall be the total cost to the Owner to construct all elements of the Project designed or specified by the Architect and shall include contractors' (also referred to in this Agreement as CM at Risk) general conditions costs, overhead and profit. The Cost of the Work also includes the reasonable value of labor, materials, and equipment, donated to, or otherwise furnished by, the Owner. The Cost of

the Work does not include the compensation of the Architect; the costs of the land, rights-of-way, financing, or contingencies for changes in the Work; or other costs that are the responsibility of the Owner.

**§ 6.2** The Owner's budget for the Cost of the Work ~~is provided in Initial Information, shall be determined during the Needs Assessment Phase of the Architect's services,~~ and shall be adjusted throughout the Project as required under Sections 5.2, 6.4 and 6.5. Evaluations of the Owner's budget for the Cost of the Work, and the preliminary estimate of the Cost of the Work ~~and updated estimates of the Cost of the Work, prepared~~ prepared as part of the Needs Assessment by the Architect, represent the Architect's judgment as a design professional. It is recognized, however, that neither the Architect nor the Owner has control over the cost of labor, materials, or equipment; the Contractor's methods of determining bid prices; or competitive bidding, market, or negotiating conditions. Accordingly, the Architect cannot and does not warrant or represent that bids or negotiated prices will not vary from the Owner's budget for the Cost of the Work, or from any estimate of the Cost of the Work, or evaluation, prepared or agreed to by the Architect.

**§ 6.3** In preparing ~~estimates~~ the preliminary estimate of the Cost of Work, ~~Work during the Needs Assessment Phase,~~ the Architect shall be permitted to include contingencies for design, bidding, and price escalation; to determine what materials, equipment, component systems, and types of construction are to be included in the Contract Documents; to recommend reasonable adjustments in the program and scope of the Project; and to include design alternates as may be necessary to adjust the estimated Cost of the Work to meet the Owner's budget. The Architect's preliminary estimate of the Cost of the Work shall be based on current area, volume or similar conceptual estimating techniques. ~~If Detailed cost estimating shall be provided by the Owner's CM at Risk.~~

~~the Owner requires a detailed~~ **§ 6.3.1** Evaluations of the Owner's budget for the Project and the preliminary estimate of the Cost of the Work, ~~the Architect shall provide such an estimate, if identified as the Architect's responsibility in Section 4.1.1, as a Supplemental Service.~~ Project prepared by the Architect represent the Architect's judgement as a design professional familiar with the construction industry. It is recognized, however, that neither the Architect nor the Owner has control over the cost of labor, materials or equipment, over the Contractor's method of determining bid prices, or over competitive bidding, market or negotiation conditions. The Architect's evaluation of the Owner's budget and preliminary estimate of the Cost of the Work are made on the basis of the Architect's experience, qualifications, and best judgement of the current and future market conditions in the construction industry. Accordingly, the Architect cannot and does not warrant or represent that proposals, bids, negotiated prices, or actual construction costs will not vary from the Owner's budget for the Project or from any preliminary estimate of the Cost of the Work or evaluation prepared or agreed to by the Architect. The Architect shall compile the preliminary estimate of the Cost of the Work based on all or a portion of the following: design progress, utilizing historical data, material quotations, discussions with trade professionals, and experience with similar projects. Bids will not be solicited for the Architect's estimating purposes; therefor, competitive bidding or lack thereof may affect the actual costs. The Owner shall acknowledge the following assumptions and cautions relative to the Architect's evaluations of the Owner's budget and preliminary estimate of the Cost of the Work:

1. The Opinions of the Cost of the Work will assume a competitive bidding process for the entire scope of Work, as defined by the plans and specifications. Competitive bidding process is defined as receiving responsive bids from a minimum of (3) CM at Risks and (3) subcontractors per trade.
2. If the number of bids indicated in 6.3.1.1 above are not received by the CM at Risk or Owner, the bids may deviate from the Architect's evaluation of the Owner's budget and/or the preliminary estimate of the Cost of the Work.
3. Due to unpredictable conditions in the construction and other industries causing unusual fluctuations, such as the influence of commodity trading markets, regional supply and demand, regional inflation, or natural disasters; costs and availability of products and labor may fluctuate causing the Architect's evaluation of the Owner's budget and preliminary estimate of the Cost of the Work to differ from actual bids.

**§ 6.4** If, through no fault of the Architect, the Procurement Phase has not commenced within ~~90~~ 30 days after the Architect submits the Construction Documents to the Owner, the Owner's budget for the Cost of the Work shall be adjusted to reflect changes in the general level of prices in the applicable construction market.

**§ 6.5** If at any time the Architect's or CM at Risk's estimate of the Cost of the Work exceeds the Owner's budget for the Cost of the Work, the Architect shall ~~make appropriate recommendations to the~~ collaborate with the CM at Risk and Owner to adjust the Project's size, quality, or budget for the Cost of the Work, and the Owner shall cooperate with the Architect and CM at Risk in making such adjustments.

§ 6.6 If the Owner's budget for the Cost of the Work at the conclusion of the Construction Documents Phase Services is exceeded by the ~~lowest bona fide bid or negotiated proposal~~, CM at Risk's Guaranteed Maximum Price (GMP) Proposal, the Owner shall

- .1 give written approval of an increase in the budget for the Cost of the Work;
- .2 authorize rebidding or renegotiating of the Project within a reasonable time;
- .3 terminate in accordance with Section 9.5;
- .4 in consultation with the ~~Architect~~, Architect and CM at Risk, collaborate to revise the Project program, scope, or quality as required to reduce the Cost of the Work; or,
- .5 implement any other mutually acceptable alternative.

§ 6.7 If the Owner chooses to proceed under Section ~~6.6.4~~, ~~the Architect~~ 6.6.4 and the scope of Work reductions consist of more than \$200,000 in construction cost reductions, the Architect, as an additional service, shall modify the Construction Documents as necessary to comply with the Owner's budget for the Cost of the Work at the conclusion of the Construction Documents Phase Services, or the budget as adjusted under Section 6.6.1. If the Owner requires the Architect to modify the Construction Documents because the ~~lowest bona fide bid or negotiated proposal~~ CM at Risk's GMP Pricing Proposal exceeds the Owner's budget for the Cost of the Work due to market conditions the Architect could not reasonably anticipate, the Owner shall compensate the Architect for the modifications as an Additional Service pursuant to Section ~~11.3~~; ~~otherwise the Architect's services for modifying the Construction Documents shall be without additional compensation.~~ 11.3. In any event, the Architect's modification of the Construction Documents shall be the limit of the Architect's responsibility under this Article 6.

#### ARTICLE 7 COPYRIGHTS AND LICENSES

§ 7.1 The Architect and the Owner warrant that in transmitting Instruments of Service, or any other information, the transmitting party is the copyright owner of such information or has permission from the copyright owner to transmit such information for its use on the Project.

§ 7.2 The Architect and the Architect's consultants shall be deemed the authors and owners of their respective Instruments of Service, including the Drawings and Specifications, and shall retain all common law, statutory and other reserved rights, including copyrights. Submission or distribution of Instruments of Service to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the reserved rights of the Architect and the Architect's consultants.

§ 7.3 The Architect grants to the Owner a nonexclusive license to use the Architect's Instruments of Service solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations under this Agreement, including prompt payment of all sums due pursuant to Article 9 and Article 11. The Architect shall obtain similar nonexclusive licenses from the Architect's consultants consistent with this Agreement. The license granted under this section permits the Owner to authorize the Contractor, Subcontractors, Sub-subcontractors, and suppliers, as well as the Owner's consultants and separate contractors, to reproduce applicable portions of the Instruments of Service, subject to any protocols established pursuant to Section 1.3, solely and exclusively for use in performing services or construction for the Project. If the Architect rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate.

§ 7.3.1 In the event the Owner uses the Instruments of Service without retaining the authors of the Instruments of Service, the Owner releases the Architect and Architect's consultant(s) from all claims and causes of action arising from such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless the Architect and its consultants from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's use of the Instruments of Service under this Section 7.3.1. The terms of this Section 7.3.1 shall not apply if the Owner rightfully terminates this Agreement for cause under Section 9.4.

§ 7.4 Except for the licenses granted in this Article 7, no other license or right shall be deemed granted or implied under this Agreement. The Owner shall not assign, delegate, sublicense, pledge or otherwise transfer any license granted herein to another party without the prior written agreement of the Architect. Any unauthorized use of the Instruments of Service shall be at the Owner's sole risk and without liability to the Architect and the Architect's consultants.

§ 7.5 Except as otherwise stated in Section 7.3, the provisions of this Article 7 shall survive the termination of this Agreement.

## ARTICLE 8 CLAIMS AND DISPUTES

### § 8.1 General

§ 8.1.1 The Owner and Architect shall commence all claims and causes of action against the other and arising out of or related to this Agreement, whether in contract, tort, or otherwise, in accordance with the requirements of the binding dispute resolution method selected in this Agreement and within the period specified by applicable law, but in any case not more than 10 years after the date of Substantial Completion of the Work. The Owner and Architect waive all claims and causes of action not commenced in accordance with this Section 8.1.1.

§ 8.1.2 To the extent damages are covered by property insurance, the Owner and Architect waive all rights against each other and against the contractors, consultants, agents, and employees of the other for damages, except such rights as they may have to the proceeds of such insurance as set forth in AIA Document A201–2017, General Conditions of the Contract for Construction. The Owner or the Architect, as appropriate, shall require of the contractors, consultants, agents, and employees of any of them, similar waivers in favor of the other parties enumerated herein.

§ 8.1.3 The Architect and Owner waive consequential damages for claims, disputes, or other matters in question, arising out of or relating to this Agreement. This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination of this Agreement, except as specifically provided in Section 9.7.

§ 8.1.4 RISK ALLOCATION. IN RECOGNITION OF THE RELATIVE RISKS AND BENEFITS OF THE PROJECT TO BOTH THE OWNER AND THE ARCHITECT, THE OWNER AND ARCHITECT AGREE THAT THE LIMIT OF PROFESSIONAL LIABILITY OF THE ARCHITECT AND HIS CONSULTANTS SHALL BE LIMITED TO FIVE HUNDRED THOUSAND DOLLARS (\$500,000) ON A CLAIMS MADE BASIS AND ONE MILLION DOLLARS (\$1,000,000) IN THE AGGREGATE OF ALL CLAIMS MADE AGAINST THE ARCHITECT AND HIS CONSULTANTS.

§ 8.1.5 Owner agrees to pay the Architect on an hourly basis for all time and all expenses incurred as a result of testifying, subpoenas, depositions, arbitration, trials and mediations between the Owner and Owner's Contractor/CM at Risk and/or the Owner's Contractor's subcontractors as related to the Project. These services exclude proceedings in which the Architect is a party in the corresponding §-action.

### § 8.2 Mediation

§ 8.2.1 Any claim, dispute or other matter in question arising out of or related to this Agreement shall be subject to mediation as a condition precedent to binding dispute resolution. If such matter relates to or is the subject of a lien arising out of the Architect's services, the Architect may proceed in accordance with applicable law to comply with the lien notice or filing deadlines prior to resolution of the matter by mediation or by binding dispute resolution.

§ 8.2.2 The Owner and Architect shall endeavor to resolve claims, disputes and other matters in question between them by mediation, which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration Association in accordance with its Construction Industry Mediation Procedures in effect on the date of this Agreement. A request for mediation shall be made in writing, delivered to the other party to this Agreement, and filed with the person or entity administering the mediation. The request may be made concurrently with the filing of a complaint or other appropriate demand for binding dispute resolution but, in such event, mediation shall proceed in advance of binding dispute resolution proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the parties or court order. If an arbitration proceeding is stayed pursuant to this section, the parties may nonetheless proceed to the selection of the arbitrator(s) and agree upon a schedule for later proceedings.

§ 8.2.3 The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

§ 8.2.4 If the parties do not resolve a dispute through mediation pursuant to this Section 8.2, the method of binding

Init.

AIA Document B101™ – 2017. Copyright © 1974, 1978, 1987, 1997, 2007 and 2017 by The American Institute of Architects. All rights reserved. **WARNING:** This AIA® Document is protected by U.S. Copyright Law and International Treaties. Unauthorized reproduction or distribution of this AIA® Document, or any portion of it, may result in severe civil and criminal penalties, and will be prosecuted to the maximum extent possible under the law. This document was produced by AIA software at 11:31:17 on 02/07/2018 under Order No. 1638052619 which expires on 01/02/2019, and is not for resale.

User Notes:

(3B9ADA18)

dispute resolution shall be the following:  
(Check the appropriate box.)

☒ Arbitration pursuant to Section 8.3 of this Agreement

☐ Litigation in a court of competent jurisdiction

☐ Other: (Specify)

If the Owner and Architect do not select a method of binding dispute resolution, or do not subsequently agree in writing to a binding dispute resolution method other than litigation, the dispute will be resolved in a court of competent jurisdiction.

### § 8.3 Arbitration

§ 8.3.1 If the parties have selected arbitration as the method for binding dispute resolution in this Agreement, any claim, dispute or other matter in question arising out of or related to this Agreement subject to, but not resolved by, mediation shall be subject to arbitration, which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration Association in accordance with its Construction Industry Arbitration Rules in effect on the date of this Agreement. A demand for arbitration shall be made in writing, delivered to the other party to this Agreement, and filed with the person or entity administering the arbitration.

§ 8.3.1.1 A demand for arbitration shall be made no earlier than concurrently with the filing of a request for mediation, but in no event shall it be made after the date when the institution of legal or equitable proceedings based on the claim, dispute or other matter in question would be barred by the applicable statute of limitations. For statute of limitations purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the claim, dispute or other matter in question.

§ 8.3.2 The foregoing agreement to arbitrate, and other agreements to arbitrate with an additional person or entity duly consented to by parties to this Agreement, shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

§ 8.3.3 The award rendered by the arbitrator(s) shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

### § 8.3.4 Consolidation or Joinder

§ 8.3.4.1 Either party, at its sole discretion, may consolidate an arbitration conducted under this Agreement with any other arbitration to which it is a party provided that (1) the arbitration agreement governing the other arbitration permits consolidation; (2) the arbitrations to be consolidated substantially involve common questions of law or fact; and (3) the arbitrations employ materially similar procedural rules and methods for selecting arbitrator(s).

§ 8.3.4.2 Either party, at its sole discretion, may include by joinder persons or entities substantially involved in a common question of law or fact whose presence is required if complete relief is to be accorded in arbitration, provided that the party sought to be joined consents in writing to such joinder. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent.

§ 8.3.4.3 The Owner and Architect grant to any person or entity made a party to an arbitration conducted under this Section 8.3, whether by joinder or consolidation, the same rights of joinder and consolidation as the Owner and Architect under this Agreement.

§ 8.4 The provisions of this Article 8 shall survive the termination of this Agreement.

## ARTICLE 9 TERMINATION OR SUSPENSION

§ 9.1 If the Owner fails to make payments to the Architect in accordance with this Agreement, such failure shall be considered substantial nonperformance and cause for termination or, at the Architect's option, cause for suspension of performance of services under this Agreement. If the Architect elects to suspend services, the Architect shall give seven days' written notice to the Owner before suspending services. In the event of a suspension of services, the Architect shall have no liability to the Owner for delay or damage caused the Owner because of such suspension of services. Before resuming services, the Owner shall pay the Architect all sums due prior to suspension and any expenses incurred in the interruption and resumption of the Architect's services. The Architect's fees for the remaining services and the time schedules shall be equitably adjusted.

§ 9.2 If the Owner suspends the Project, the Architect shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, the Architect shall be compensated for expenses incurred in the interruption and resumption of the Architect's services. The Architect's fees for the remaining services and the time schedules shall be equitably adjusted.

§ 9.3 If the Owner suspends the Project for more than 90 cumulative days for reasons other than the fault of the Architect, the Architect may terminate this Agreement by giving not less than seven days' written notice.

§ 9.4 Either party may terminate this Agreement upon not less than seven days' written notice should the other party fail substantially to perform in accordance with the terms of this Agreement through no fault of the party initiating the termination.

§ 9.5 The Owner may terminate this Agreement upon not less than seven days' written notice to the Architect for the Owner's convenience and without cause.

§ 9.6 If the Owner terminates this Agreement for its convenience pursuant to Section 9.5, or the Architect terminates this Agreement pursuant to Section 9.3, the Owner shall compensate the Architect for services performed prior to termination, Reimbursable Expenses incurred, and costs attributable to termination, including the costs attributable to the Architect's termination of consultant agreements.

§ 9.7 In addition to any amounts paid under Section 9.6, if the Owner terminates this Agreement for its convenience pursuant to Section 9.5, or the Architect terminates this Agreement pursuant to Section 9.3, the Owner shall pay to the Architect the following fees:  
*(Set forth below the amount of any termination or licensing fee, or the method for determining any termination or licensing fee.)*

.1 Termination Fee:

Ten percent of the remaining fees of the Project.

.2 Licensing Fee if the Owner intends to continue using the Architect's Instruments of Service:

Ten percent of the remaining fees of the Project.

§ 9.8 Except as otherwise expressly provided herein, this Agreement shall terminate one year from the date of Substantial Completion.

§ 9.9 The Owner's rights to use the Architect's Instruments of Service in the event of a termination of this Agreement are set forth in Article 7 and Section 9.7.

## ARTICLE 10 MISCELLANEOUS PROVISIONS

§ 10.1 This Agreement shall be governed by the law of the place where the Project is located, excluding that jurisdiction's choice of law rules. If the parties have selected arbitration as the method of binding dispute resolution, the Federal Arbitration Act shall govern Section 8.3.

§ 10.2 Terms in this Agreement shall have the same meaning as those in AIA Document A201-2017, General Conditions of the Contract for Construction.

Init.

§ 10.3 The Owner and Architect, respectively, bind themselves, their agents, successors, assigns, and legal representatives to this Agreement. Neither the Owner nor the Architect shall assign this Agreement without the written consent of the other, except that the Owner may assign this Agreement to a lender providing financing for the Project if the lender agrees to assume the Owner's rights and obligations under this Agreement, including any payments due to the Architect by the Owner prior to the assignment.

§ 10.4 If the Owner requests the Architect to execute certificates, the proposed language of such certificates shall be submitted to the Architect for review at least 14 days prior to the requested dates of execution. If the Owner requests the Architect to execute consents reasonably required to facilitate assignment to a lender, the Architect shall execute all such consents that are consistent with this Agreement, provided the proposed consent is submitted to the Architect for review at least 14 days prior to execution. The Architect shall not be required to execute certificates or consents that would require knowledge, services, or responsibilities beyond the scope of this Agreement.

§ 10.5 Nothing contained in this Agreement shall create a contractual relationship with, or a cause of action in favor of, a third party against either the Owner or Architect.

§ 10.6 Unless otherwise required in this Agreement, the Architect shall have no responsibility for the discovery, presence, handling, removal or disposal of, or exposure of persons to, hazardous materials or toxic substances in any form at the Project site.

§ 10.7 The Architect shall have the right to include photographic or artistic representations of the design of the Project among the Architect's promotional and professional materials. The Architect shall be given reasonable access to the completed Project to make such representations. However, the Architect's materials shall not include the Owner's confidential or proprietary information if the Owner has previously advised the Architect in writing of the specific information considered by the Owner to be confidential or proprietary. The Owner shall provide professional credit for the Architect in the Owner's promotional materials for the Project. This Section 10.7 shall survive the termination of this Agreement unless the Owner terminates this Agreement for cause pursuant to Section 9.4.

§ 10.8 If the Architect or Owner receives information specifically designated as "confidential" or "business proprietary," the receiving party shall keep such information strictly confidential and shall not disclose it to any other person except as set forth in Section 10.8.1. This Section 10.8 shall survive the termination of this Agreement.

§ 10.8.1 The receiving party may disclose "confidential" or "business proprietary" information after 7 days' notice to the other party, when required by law, arbitrator's order, or court order, including a subpoena or other form of compulsory legal process issued by a court or governmental entity, or to the extent such information is reasonably necessary for the receiving party to defend itself in any dispute. The receiving party may also disclose such information to its employees, consultants, or contractors in order to perform services or work solely and exclusively for the Project, provided those employees, consultants and contractors are subject to the restrictions on the disclosure and use of such information as set forth in this Section 10.8.

§ 10.9 The invalidity of any provision of the Agreement shall not invalidate the Agreement or its remaining provisions. If it is determined that any provision of the Agreement violates any law, or is otherwise invalid or unenforceable, then that provision shall be revised to the extent necessary to make that provision legal and enforceable. In such case the Agreement shall be construed, to the fullest extent permitted by law, to give effect to the parties' intentions and purposes in executing the Agreement.

## ARTICLE 11 COMPENSATION

§ 11.1 For the Architect's Basic Services described under Article 3, the Owner shall compensate the Architect as follows:

- .1 Stipulated Sum  
(Insert amount)

.2 Percentage Basis  
(Insert percentage value)

Refer to Exhibit A – Architect’s Fee Proposal revised date Feb. 7, 2018 ( ) % of the Owner’s budget for the Cost of the Work, as calculated in accordance with Section 11.6.

.3 Other  
(Describe the method of compensation)

§ 11.2 For the Architect’s Supplemental Services designated in Section 4.1.1 and for any Sustainability Services required pursuant to Section 4.1.3, the Owner shall compensate the Architect as follows:  
(Insert amount of, or basis for, compensation. If necessary, list specific services to which particular methods of compensation apply.)

Refer to Exhibit A – Architect’s Fee Proposal revised date Feb. 7, 2018

§ 11.3 For Additional Services that may arise during the course of the Project, including those under Section 4.2, the Owner shall compensate the Architect as follows:  
(Insert amount of, or basis for, compensation.)

Refer to Exhibit A – Architect’s Fee Proposal revised date Feb. 7, 2018

§ 11.4 Compensation for Supplemental and Additional Services of the Architect’s consultants when not included in Section 11.2 or 11.3, shall be the amount invoiced to the Architect plus Ten percent ( 10 %), or as follows:  
(Insert amount of, or basis for computing, Architect’s consultants’ compensation for Supplemental or Additional Services.)

§ 11.5 When compensation for Basic Services is based on a stipulated sum or a percentage basis, the proportion of compensation for each phase of services shall be as follows:

Schematic Design Phase	<u>Twenty-five</u>	percent (	<u>25</u>	%)
Design Development Phase	<u>Twenty-five</u>	percent (	<u>25</u>	%)
Construction Documents Phase	<u>Twenty-five</u>	percent (	<u>25</u>	%)
Procurement Phase	<u>Five</u>	percent (	<u>5</u>	%)
Construction Phase	<u>Twenty</u>	percent (	<u>20</u>	%)
Total Basic Compensation	one hundred	percent (	100	%)

§ 11.6 When compensation identified in Section 11.1 is on a percentage basis, progress payments for each phase of Basic Services shall be calculated by multiplying the percentages identified in this Article by the Owner’s most recent budget for the Cost of the Work. Compensation paid in previous progress payments shall not be adjusted based on subsequent updates to the Owner’s budget for the Cost of the Work.

§ 11.6.1 When compensation is on a percentage basis and any portions of the Project are deleted or otherwise not constructed, ~~constructed~~ (including bid add alternates), compensation for those portions of the Project shall be payable to the extent services are performed on those portions. The Architect shall be entitled to compensation in accordance with this Agreement for all services performed whether or not the Construction Phase is commenced.

§ 11.7 The hourly billing rates for services of the Architect and the Architect’s consultants are set forth below. The rates shall be adjusted in accordance with the Architect’s and Architect’s consultants’ normal review practices.  
(If applicable, attach an exhibit of hourly billing rates or insert them below.)

**Employee or Category**

**Rate (\$0.00)**

**§ 11.8 Compensation for Reimbursable Expenses**

§ 11.8.1 Reimbursable Expenses are in addition to compensation for Basic, Supplemental, and Additional Services and include expenses incurred by the Architect and the Architect’s consultants directly related to the Project, as follows:

- .1 Transportation and authorized out-of-town travel and subsistence;
- .2 Long distance services, dedicated data and communication services, teleconferences, Project web sites, and extranets;
- .3 Permitting and other fees required by authorities having jurisdiction over the Project;
- .4 Printing, reproductions, plots, and standard form documents;
- .5 Postage, handling, and delivery;
- .6 Expense of overtime work requiring higher than regular rates, if authorized in advance by the Owner;
- .7 Renderings, physical models, mock-ups, professional photography, and presentation materials requested by the Owner or required for the Project;
- .8 If required by the Owner, and with the Owner’s prior written approval, the Architect’s consultants’ expenses of professional liability insurance dedicated exclusively to this Project, or the expense of additional insurance coverage or limits in excess of that normally maintained by the Architect’s consultants;
- .9 All taxes levied on professional services and on reimbursable expenses;
- .10 Site office expenses;
- .11 Registration fees and any other fees charged by the Certifying Authority or by other entities as necessary to achieve the Sustainable Objective; and,
- .12 Other similar Project-related expenditures.

§ 11.8.2 For Reimbursable Expenses the compensation shall be the expenses incurred by the Architect and the Architect’s consultants plus Ten percent ( 10 %) of the expenses incurred.

**§ 11.9 Architect’s Insurance.** If the types and limits of coverage required in Section 2.5 are in addition to the types and limits the Architect normally maintains, the Owner shall pay the Architect for the additional costs incurred by the Architect for the additional coverages as set forth below:

*(Insert the additional coverages the Architect is required to obtain in order to satisfy the requirements set forth in Section 2.5, and for which the Owner shall reimburse the Architect.)*

Cost to the Architect plus 10%

**§ 11.10 Payments to the Architect**

**§ 11.10.1 Initial Payments**

§ 11.10.1.1 An initial payment of Zero ( \$ 0 ) shall be made upon execution of this Agreement and is the minimum payment under this Agreement. It shall be credited to the Owner’s account in the final invoice.

§ 11.10.1.2 If a Sustainability Certification is part of the Sustainable Objective, an initial payment to the Architect of Zero ( \$ 0 ) shall be made upon execution of this Agreement for registration fees and other fees payable to the Certifying Authority and necessary to achieve the Sustainability Certification. The Architect’s payments to the Certifying Authority shall be credited to the Owner’s account at the time the expense is incurred.

**§ 11.10.2 Progress Payments**

§ 11.10.2.1 Unless otherwise agreed, payments for services shall be made monthly in proportion to services performed. Payments are due and payable upon presentation of the Architect’s invoice. Amounts unpaid Thirty ( 30 ) days after the invoice date shall bear interest at the rate entered below, or in the absence thereof at the legal rate prevailing from time to time at the principal place of business of the Architect.

*(Insert rate of monthly or annual interest agreed upon.)*

One and one half % 1.5% per month

§ 11.10.2.2 The Owner shall not withhold amounts from the Architect's compensation to impose a penalty or liquidated damages on the Architect, or to offset sums requested by or paid to contractors for the cost of changes in the Work, unless the Architect agrees or has been found liable for the amounts in a binding dispute resolution proceeding.

§ 11.10.2.3 Records of Reimbursable Expenses, expenses pertaining to Supplemental and Additional Services, and services performed on the basis of hourly rates shall be available to the Owner at mutually convenient times.

## ARTICLE 12 SPECIAL TERMS AND CONDITIONS

Special terms and conditions that modify this Agreement are as follows:

*(Include other terms and conditions applicable to this Agreement.)*

12.1 PROFESSIONAL LIABILITY FOR THE ARCHITECT AND HIS CONSULTANTS ON THIS PROJECT AND ANY MODIFICATIONS/EXTENSIONS THERETO SHALL NOT EXCEED FIVE HUNDRED THOUSAND DOLLARS (\$500,000) ON A CLAIMS MADE BASIS AND ONE MILLION DOLLARS (\$1,000,000) IN THE AGGREGATE.

12.2 The Texas Board of Architectural Examiners, 333 Guadalupe, Suite 2-350, Austin, TX 78701-3942, ph. 512.305.9000, has jurisdiction over individuals licensed under the Architects Registration Law, Article 249A, VTCS.

## ARTICLE 13 SCOPE OF THE AGREEMENT

§ 13.1 This Agreement represents the entire and integrated agreement between the Owner and the Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both the Owner and Architect.

§ 13.2 This Agreement is comprised of the following documents identified below:

- .1 AIA Document B101™-2017, Standard Form Agreement Between Owner and Architect
- .2 AIA Document E203™-2013, Building Information Modeling and Digital Data Exhibit, dated as indicated below:

*(Insert the date of the E203-2013 incorporated into this agreement.)*

- .3 Exhibits:

*(Check the appropriate box for any exhibits incorporated into this Agreement.)*

☐ AIA Document E204™-2017, Sustainable Projects Exhibit, dated as indicated below:

*(Insert the date of the E204-2017 incorporated into this agreement.)*

☒ Other Exhibits incorporated into this Agreement:

*(Clearly identify any other exhibits incorporated into this Agreement, including any exhibits and scopes of services identified as exhibits in Section 4.1.2.)*

13.2.3.1 Exhibit A - Architect's Fee Proposal revised date Feb. 7, 2018

- .4 Other documents:

*(List other documents, if any, forming part of the Agreement.)*

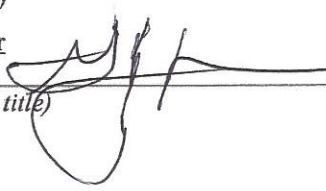
This Agreement entered into as of the day and year first written above.

CITY OF PARKER, TEXAS

OWNER (Signature)

Z. Marshall, Mayor

(Printed name and title)

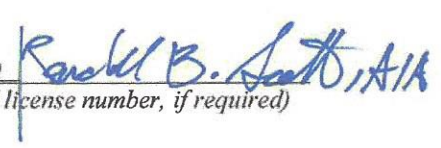


RANDALL SCOTT ARCHITECTS, INC.

ARCHITECT (Signature)

Randall B. Scott, AIA, -  
Founding Principal/CEO

(Printed name, title, and license number, if required)



Init.

## Certification of Document's Authenticity

AIA® Document D401™ – 2003

I, , hereby certify, to the best of my knowledge, information and belief, that I created the attached final document simultaneously with this certification 11:31:17 on 02/07/2018 under Order No. 1638052619 from AIA Contract Documents software and that in preparing the attached final document I made no changes to the original text of AIA® Document B101™ - 2017, Standard Form of Agreement Between Owner and Architect, as published by the AIA in its software, other than changes shown in the attached final document by underscoring added text and striking over deleted text.

Randall B. Scott, AIA  
(Signed)

FOUNDING PRINCIPAL  
(Title)

FEB. 7, 2018  
(Dated)