

ANNUAL FINANCIAL REPORT

of the

City of Parker, Texas

**For the Year Ended
September 30, 2021**

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City of Parker, Texas

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September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Texas (the "City"), as of and for the year ended September 30, 2021, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2021, 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 employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and general fund 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.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise City of Parker, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 4, 2022

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

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City of Parker, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2021

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, 2021.

Financial Highlights

- The City's total combined net position is \$60,039,692 at September 30, 2021. Of this, \$11,421,383 (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 \$6,769,560, an increase of \$1,630,171.
- As of the end of the year, the unassigned fund balance of the general fund was \$5,017,117 or 134% of total general fund expenditures.
- The City had an overall increase in net position of \$685,063, which is primarily due to business-type activities revenue exceeding current year expenses.
- The City budgeted a deficit to fund balance for the general fund of \$265,846 for the year. The actual activity resulted in an increase in the fund balance for the general fund of \$925,642. This resulted in a positive overall variance between budget to actual of \$1,191,488.

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, 2021

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 18 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, 2021

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 thirteen 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 and debt service funds, which are considered 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 and OPEB 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 and deferred outflows exceeded liabilities and deferred inflow by \$60,039,692 as of September 30, 2021, in the primary government.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

The largest portion of the City's net position, \$46,172,854, 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.

Current and other assets of Governmental Activities as of September 30, 2021 and September 30, 2020 were \$7,853,806 and \$5,743,999, respectively. The increase of \$2,109,807 was primarily due to greater cash on hand resulting from greater than anticipated governmental revenues. Capital assets of Governmental Activities as of September 30, 2021 and September 30, 2020 were \$33,814,187 and \$36,113,273, respectively. The decrease of \$2,299,086, was primarily attributable to current year depreciation exceeding new capital investments. Long-term liabilities of Governmental Activities as of September 30, 2021 and September 30, 2020 were \$2,175,949 and \$2,506,940, respectively. The decrease of \$330,991 is primarily due to principal payments made during the current year.

Current and other assets of Business-Type Activities as of September 30, 2021 and September 30, 2020 were \$8,373,199 and \$11,749,188, respectively. The decrease of \$3,375,989 was a direct result of cash on hand being spent on new capital investments over the course of the year. Other liabilities of Business-Type Activities as of September 30, 2021 and September 30, 2020 were \$774,834 and \$666,208, respectively. The increase of \$108,626 was a result of timing of payments to third party vendors in the subsequent fiscal year. Long-term liabilities of Business-Type Activities as of September 30, 2021 and September 30, 2020 were \$7,683,359 and \$7,996,505, respectively. The decrease of \$313,146 is primarily due to principal payments made during the current year.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 7,853,806	\$ 8,373,199	\$ 16,227,005	\$ 5,743,999	\$ 11,749,188	\$ 17,493,187
Capital assets, net	33,814,187	21,866,795	55,680,982	36,113,273	17,596,770	53,710,043
Total Assets	41,667,993	30,239,994	71,907,987	41,857,272	29,345,958	71,203,230
Deferred Outflows of Resources	257,044	76,044	333,088	203,099	62,718	265,817
Other liabilities	1,454,934	774,834	2,229,768	829,502	666,208	1,495,710
Long-term liabilities	2,175,949	7,683,359	9,859,308	2,506,940	7,996,505	10,503,445
Total Liabilities	3,630,883	8,458,193	12,089,076	3,336,442	8,662,713	11,999,155
Deferred Inflows of Resources	88,138	24,169	112,307	90,248	25,015	115,263
Net Position:						
Net investment in capital assets	32,101,286	14,071,568	46,172,854	34,416,835	9,697,271	44,114,106
Restricted	791,096	1,654,359	2,445,455	428,085	1,284,098	1,712,183
Unrestricted	5,313,634	6,107,749	11,421,383	3,788,761	9,739,579	13,528,340
Total Net Position	\$ 38,206,016	\$ 21,833,676	\$ 60,039,692	\$ 38,633,681	\$ 20,720,948	\$ 59,354,629

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Activities:

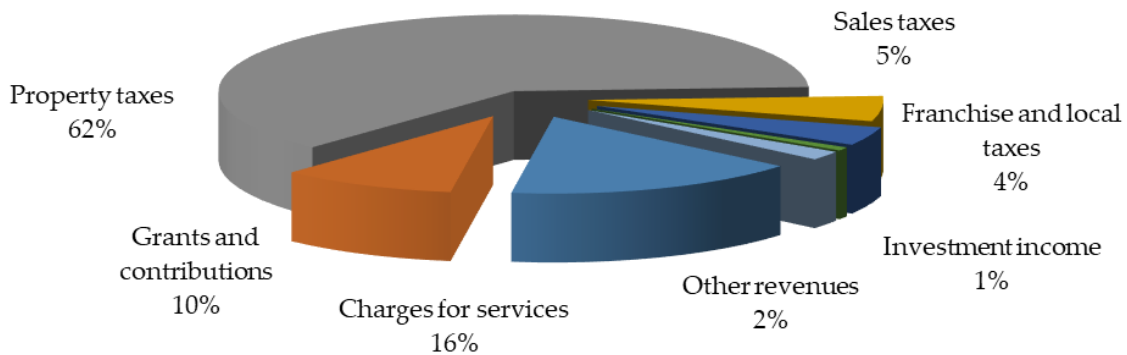
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
			Total			Total
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Charges for services	\$ 1,088,320	\$ 4,740,579	\$ 5,828,899	\$ 674,346	\$ 4,681,505	\$ 5,355,851
Grants and contributions	6,486	461,013	467,499	706,492	117,876	824,368
General revenues:						
Property taxes	4,185,386	-	4,185,386	3,849,069	-	3,849,069
Sales taxes	358,488	-	358,488	262,590	-	262,590
Franchise and local taxes	266,873	-	266,873	284,133	-	284,133
Investment income	49,260	3,161	52,421	65,066	72,989	138,055
Other revenues	130,015	-	130,015	11,383	-	11,383
Total Revenues	6,084,828	5,204,753	11,289,581	5,853,079	4,872,370	10,725,449
Expenses						
General government	1,096,747	-	1,096,747	1,259,419	-	1,259,419
Public safety	2,799,376	-	2,799,376	2,508,377	-	2,508,377
Public works	2,636,790	-	2,636,790	2,270,465	-	2,270,465
Culture and recreation	10,618	-	10,618	10,618	-	10,618
Interest and fiscal charges	41,546	237,502	279,048	93,072	244,438	337,510
Water, sewer, & sanitation	-	3,781,939	3,781,939	-	3,731,300	3,731,300
Total Expenses	6,585,077	4,019,441	10,604,518	6,141,951	3,975,738	10,117,689
Change in Net Position						
Before Transfers	(500,249)	1,185,312	685,063	(288,872)	896,632	607,760
Transfers	72,584	(72,584)	-	(964,026)	964,026	-
Change in Net Position	(427,665)	1,112,728	685,063	(1,252,898)	1,860,658	607,760
Beginning Net Position	38,633,681	20,720,948	59,354,629	39,886,579	18,860,290	58,746,869
Ending Net Position	\$ 38,206,016	\$ 21,833,676	\$ 60,039,692	\$ 38,633,681	\$ 20,720,948	\$ 59,354,629

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

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

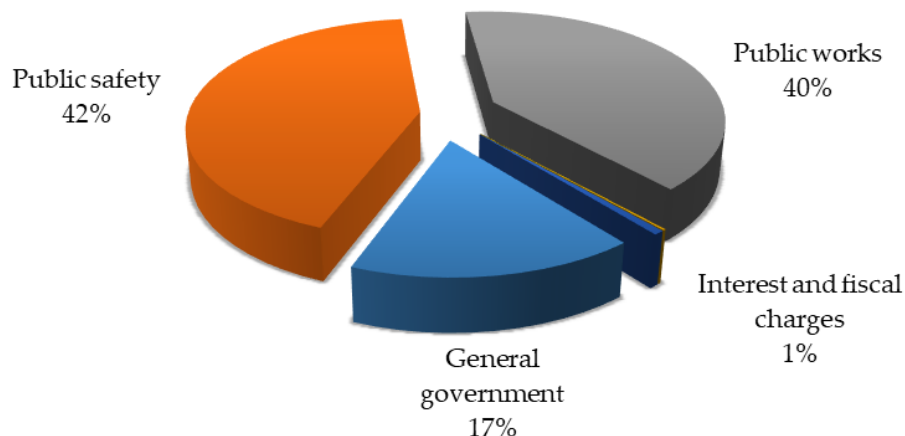
Governmental Activities - Revenues



For the year ended September 30, 2021, revenues from governmental activities totaled \$6,084,828. Property tax, charges for services, and grants and contributions are the City's largest revenue sources. Property tax increased \$336,317 or 9% due to an increase in the taxable appraisal value of properties. Grants and contributions decreased \$700,006 or 99% due to nonrecurring capital contributions from a developer in the prior year. Sales tax revenues increased \$95,898 or 37% due to increased economic growth fueled by local purchases. Investment income decreased by \$15,806 or 24% primarily due to realization of lower interest rates. Other revenues increased \$118,632 due primarily to nonrecurring fine collections and proceeds from sale of assets received in the current year. All other revenues remained relatively stable over the course of the fiscal year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



City of Parker, Texas

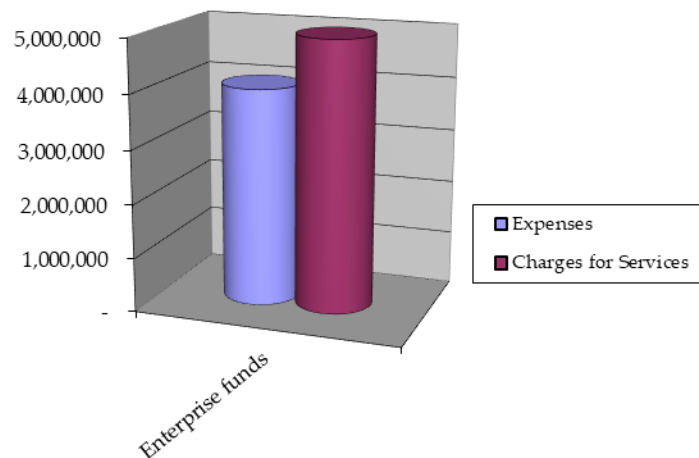
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

For the year ended September 30, 2021, expenses for governmental activities totaled \$6,585,077. This represents an increase of \$443,126 or 7% from the prior year. The City's largest functional expense is public safety for \$2,799,376. Public safety expenses increased by \$290,999 or 12% from prior year. The increase was primarily a result of greater personnel costs, communication service expenses, depreciation expenses in the current year. General government expenses decreased by \$162,672 or 13% primarily due to nonrecurring worker's compensation and liability insurance expenses in the prior year. Public works expenses increased by \$366,325 or 16% primarily due to nonrecurring street maintenance expenses and professional service costs in the current year. Interest and fiscal charges decreased by \$51,526 or 55% primarily due to nonrecurring bond issuance costs recognized in the prior year. All other expenses remained relatively stable over the course of the fiscal year.

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, 2021, charges for services by business-type activities totaled \$4,740,579. This is an increase of \$59,074, or 1% from the previous year. This increase directly relates to a 3% increase in refuse billing rates and growth in the City's customer base compared to the prior year.

Total expenses for business-type activities increased \$43,703 or 1%, which is considered minimal.

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, 2021

As of the end of the year the general fund reflected a total fund balance of \$5,056,307. Of this, \$39,190 is considered nonspendable. The unassigned fund balance totaled \$5,017,117 as of yearend. The general fund balance increased \$925,642 primarily as a result of greater than anticipated revenues and less than anticipated expenditures.

As of September 30, 2021, the debt service fund reflected a fund balance of \$247,258, a slight increase of \$518 from the prior year. The fund experienced an increase primarily due to property tax revenues exceeding debt service expenditures.

As of September 30, 2021, the nonmajor governmental funds reflected a total fund balance of \$1,465,995, an increase of \$704,011. The increase was primarily a result of transfers received from other funds.

There was an increase in governmental fund balance of \$1,630,171 from the prior year. The increase was primarily a result of current year revenue

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 \$1,191,488 in the general fund. This was primarily the result of positive revenue and expenditure variance totaling \$833,306 and \$368,160, respectively. All expenditures were less than final budgeted appropriations, with the exception of municipal court and transfers out.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$33,814,187 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 \$21,866,795 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Developer contributions received totaling \$4459,115 for water system improvements.
- Purchased video system for council chambers totaling \$78,179.
- Purchased 2020 Chevy Tahoe for police department for \$49,214.
- Purchased badger meters for \$60,879.

City of Parker, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

- Central lift station improvements totaling \$4,299,045.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$8,565,086. During the year, principal payments totaling \$655,000 were made. 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

City of Parker, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 4,024,811	\$ 7,479,561	\$ 11,504,372
Restricted cash	-	792,841	792,841
Investments	2,570,836	-	2,570,836
Receivables, net	224,944	657,871	882,815
Internal balances	993,786	(993,786)	-
Prepaid expenses	39,429	7,768	47,197
Total Current Assets	7,853,806	7,944,255	15,798,061
Capital assets:			
Non-depreciable	901,821	5,316,274	6,218,095
Net depreciable capital assets	32,912,366	16,550,521	49,462,887
Grant receivables	-	428,944	428,944
Total Noncurrent Assets	33,814,187	22,295,739	56,109,926
Total Assets	41,667,993	30,239,994	71,907,987
<u>Deferred Outflows of Resources</u>			
Pension outflows	234,064	64,184	298,248
OPEB outflows	14,103	3,866	17,969
Deferred charge on refunding	8,877	7,994	16,871
Total Deferred Outflows of Resources	257,044	76,044	333,088

City of Parker, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2021

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	108,496	598,158	706,654
Payable to Collin County	-	238,856	238,856
Customer deposits	96,000	-	96,000
Accrued interest payable	5,553	36,772	42,325
Unearned revenue	782,803	-	782,803
Compensated absences, current	82,143	16,668	98,811
Long-term debt due within one year	379,939	295,062	675,001
	<u>1,454,934</u>	<u>1,185,516</u>	<u>2,640,450</u>
Noncurrent liabilities:			
Long-term debt due in more than one year	1,341,920	7,044,624	8,386,544
Compensated absences, noncurrent	9,127	1,852	10,979
Net pension liability	761,514	208,819	970,333
OPEB liability	63,388	17,382	80,770
	<u>2,175,949</u>	<u>7,272,677</u>	<u>9,448,626</u>
Total Liabilities	<u>3,630,883</u>	<u>8,458,193</u>	<u>12,089,076</u>
<u>Deferred Inflows of Resources</u>			
Pension inflows	74,630	20,465	95,095
OPEB inflows	13,508	3,704	17,212
Total Deferred Inflows of Resources	<u>88,138</u>	<u>24,169</u>	<u>112,307</u>
<u>Net Position</u>			
Net investment in capital assets	32,101,286	14,071,568	46,172,854
Restricted	791,096	1,654,359	2,445,455
Unrestricted	5,313,634	6,107,749	11,421,383
Total Net Position	<u>\$ 38,206,016</u>	<u>\$ 21,833,676</u>	<u>\$ 60,039,692</u>

See Notes to Financial Statements.

City of Parker, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,096,747	\$ 856,082	\$ -	\$ -
Public safety	2,799,376	232,238	5,736	-
Public works	2,636,790	-	-	-
Culture and recreation	10,618	-	750	-
Interest and fiscal charges	41,546	-	-	-
Total Governmental Activities	<u>6,585,077</u>	<u>1,088,320</u>	<u>6,486</u>	<u>-</u>
Business-Type Activities				
Water, Sewer, & Sanitation	4,019,441	4,740,579	-	461,013
Total Business-Type Activities	<u>4,019,441</u>	<u>4,740,579</u>	<u>-</u>	<u>461,013</u>
Total Primary Government	<u>\$ 10,604,518</u>	<u>\$ 5,828,899</u>	<u>\$ 6,486</u>	<u>\$ 461,013</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 Investment income
 Other revenues

Transfers

Total General Revenues & Transfers

Change in Net Position

Beginning Net Position
 Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (240,665)	\$ -	\$ (240,665)
(2,561,402)	-	(2,561,402)
(2,636,790)	-	(2,636,790)
(9,868)	-	(9,868)
(41,546)	-	(41,546)
<u>(5,490,271)</u>	<u>-</u>	<u>(5,490,271)</u>
-	1,182,151	1,182,151
-	1,182,151	1,182,151
<u>(5,490,271)</u>	<u>1,182,151</u>	<u>(4,308,120)</u>
4,185,386	-	4,185,386
358,488	-	358,488
266,873	-	266,873
49,260	3,161	52,421
130,015	-	130,015
72,584	(72,584)	-
<u>5,062,606</u>	<u>(69,423)</u>	<u>4,993,183</u>
(427,665)	1,112,728	685,063
38,633,681	20,720,948	59,354,629
<u>\$ 38,206,016</u>	<u>\$ 21,833,676</u>	<u>\$ 60,039,692</u>

City of Parker, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Debt Service	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 2,265,451	\$ 247,258	\$ 1,512,102
Investments	2,502,754	-	68,082
Receivables, net	204,707	15,079	5,158
Due from other funds	993,786	-	-
Prepaid expenses	39,190	-	239
Total Assets	\$ 6,005,888	\$ 262,337	\$ 1,585,581
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 106,000	\$ -	\$ 2,496
Customer deposits	96,000	-	-
Unearned revenue	665,713	-	117,090
Total Liabilities	867,713	-	119,586
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	81,868	15,079	-
Total Deferred Inflows of Resources	81,868	15,079	-
<u>Fund Balances</u>			
Nonspendable:			
Prepaid expenses	39,190	-	-
Restricted for:			
Parks and recreation	-	-	4,075
Debt service	-	247,258	-
Capital projects	-	-	347,577
Public safety	-	-	192,186
Committed for:			
Capital improvements	-	-	922,157
Unassigned reported in:			
General fund	5,017,117	-	-
Total Fund Balances	5,056,307	247,258	1,465,995
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,005,888	\$ 262,337	\$ 1,585,581

See Notes to Financial Statements.

Total Governmental Funds	
<hr/>	
\$	4,024,811
	2,570,836
	224,944
	993,786
	39,429
<hr/>	
\$	7,853,806
<hr/>	

\$	108,496
	96,000
	782,803
<hr/>	
	987,299
<hr/>	

	96,947
<hr/>	
	96,947
<hr/>	

	39,190
	4,075
	247,258
	347,577
	192,186
	922,157
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	5,017,117
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	6,769,560
<hr/>	
\$	7,853,806
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City of Parker, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

Fund Balances - Total Governmental Funds	\$ 6,769,560
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	901,821
Capital assets - net depreciable	32,912,366
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property taxes	96,947
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure)/(revenue) until then.	
Deferred charge on refunding	8,877
Pension contributions	131,705
OPEB contributions	796
Pension deferred outflows	102,359
OPEB deferred outflows	13,307
Pension deferred inflows	(74,630)
OPEB deferred inflows	(13,508)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(5,553)
Bond premium	(49,768)
Net pension liability	(761,514)
OPEB liability	(63,388)
Compensated absences	(91,270)
Non-current liabilities due in one year	(379,939)
Non-current liabilities due in more than one year	(1,292,152)
Net Position of Governmental Activities	\$ 38,206,016

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, 2021

	General	Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Property tax	\$ 3,713,477	\$ 411,153	\$ -	\$ 4,124,630
Sales tax	358,488	-	-	358,488
Franchise and local taxes	292,653	-	-	292,653
License and permits	856,082	-	-	856,082
Contributions and donations	-	-	5,350	5,350
Intergovernmental	165,674	-	-	165,674
Fines and forfeitures	217,792	-	14,446	232,238
Investment income	48,718	-	542	49,260
Other revenue	94,208	8,441	416	103,065
Total Revenues	5,747,092	419,594	20,754	6,187,440
<u>Expenditures</u>				
Current:				
General government	479,098	-	56,812	535,910
Police department	1,234,255	-	-	1,234,255
Municipal court	200,298	-	4,554	204,852
Fire department	794,826	-	28,676	823,502
Building and code enforcement	196,973	-	-	196,973
Public works	312,381	-	329,003	641,384
City property	538,641	-	-	538,641
Capital outlay	-	-	62,210	62,210
Debt Service:				
Principal	-	369,725	-	369,725
Interest and fiscal charges	-	49,351	-	49,351
Total Expenditures	3,756,472	419,076	481,255	4,656,803
Excess of Revenues Over (Under)				
Expenditures	1,990,620	518	(460,501)	1,530,637
<u>Other Financing Sources (Uses)</u>				
Transfers in	47,584	-	1,138,505	1,186,089
Transfers (out)	(1,113,505)	-	-	(1,113,505)
Proceeds from sale of assets	943	-	26,007	26,950
Total Other Financing Sources (Uses)	(1,064,978)	-	1,164,512	99,534
Net Change in Fund Balances	925,642	518	704,011	1,630,171
Beginning fund balances	4,130,665	246,740	761,984	5,139,389
Ending Fund Balances	\$ 5,056,307	\$ 247,258	\$ 1,465,995	\$ 6,769,560

See Notes to Financial Statements.

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, 2021

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

Net changes in fund balances - total governmental funds	\$ 1,630,171
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	212,895
Depreciation expense	(2,511,981)

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	34,976
Grants	(164,538)

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	(8,089)
Accrued interest	1,216
Pension expense	7,334
OPEB liability	(5,963)

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	(1,430)
Amortization of premium	8,019
Principal payments	369,725

Change in Net Position of Governmental Activities	\$ (427,665)
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See Notes to Financial Statements.

City of Parker, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 1 of 2)
September 30, 2021

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 7,405,914	\$ 73,647	\$ 7,479,561
Restricted cash	792,841	-	792,841
Receivables, net	614,861	43,010	657,871
Prepaid expenses	7,768	-	7,768
Total Current Assets	<u>8,821,384</u>	<u>116,657</u>	<u>8,938,041</u>
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	5,316,274	-	5,316,274
Net depreciable capital assets	16,550,521	-	16,550,521
Grant receivable	428,944	-	428,944
Total Noncurrent Assets	<u>22,295,739</u>	<u>-</u>	<u>22,295,739</u>
Total Assets	<u>31,117,123</u>	<u>116,657</u>	<u>31,233,780</u>
<u>Deferred Outflows of Resources</u>			
Pension outflows	64,184	-	64,184
OPEB outflows	3,866	-	3,866
Deferred charge on refunding	7,994	-	7,994
Total Deferred Outflows of Resources	<u>76,044</u>	<u>-</u>	<u>76,044</u>

City of Parker, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 2 of 2)
September 30, 2021

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	\$ 563,172	\$ 34,986	\$ 598,158
Accrued interest	36,772	-	36,772
Due to other funds	993,786	-	993,786
Payable to Collin County	238,856	-	238,856
Compensated absences, current	16,668	-	16,668
Long term debt due within one year	295,062	-	295,062
Total Current Liabilities	<u>2,144,316</u>	<u>34,986</u>	<u>2,179,302</u>
<u>Noncurrent Liabilities</u>			
Long term debt due in more than one year	7,044,624	-	7,044,624
Compensated absences, noncurrent	1,852	-	1,852
Net pension liability	208,819	-	208,819
OPEB liability	17,382	-	17,382
Total Liabilities	<u>9,416,993</u>	<u>34,986</u>	<u>9,451,979</u>
<u>Deferred Inflows of Resources</u>			
Pension inflows	20,465	-	20,465
OPEB inflows	3,704	-	3,704
Total Deferred Inflows of Resources	<u>24,169</u>	<u>-</u>	<u>24,169</u>
<u>Net Position</u>			
Net investment in capital assets	14,071,568	-	14,071,568
Restriction for capital projects	1,654,359	-	1,654,359
Unrestricted	6,026,078	81,671	6,107,749
Total Net Position	<u>\$ 21,752,005</u>	<u>\$ 81,671</u>	<u>\$ 21,833,676</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, 2021

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Operating Revenues</u>			
Water sales	\$ 3,588,847	\$ -	\$ 3,588,847
Sewer revenue	401,701	-	401,701
Garbage collection	-	460,070	460,070
Meter installations	207,630	-	207,630
Other revenue	82,331	-	82,331
Total Operating Revenues	<u>4,280,509</u>	<u>460,070</u>	<u>4,740,579</u>
<u>Operating Expenses</u>			
Cost of water	2,467,586	-	2,467,586
Cost of sewer	340,612	-	340,612
Cost of sanitation	-	409,680	409,680
Depreciation	564,061	-	564,061
Total Operating Expenses	<u>3,372,259</u>	<u>409,680</u>	<u>3,781,939</u>
Operating Income (Loss)	<u>908,250</u>	<u>50,390</u>	<u>958,640</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	3,161	-	3,161
Interest expense	(237,502)	-	(237,502)
Intergovernmental	1,898	-	1,898
Total Nonoperating Revenues (Expenses)	<u>(232,443)</u>	<u>-</u>	<u>(232,443)</u>
Income before Capital Contributions and Transfers	675,807	50,390	726,197
Contributed capital assets from developer	459,115	-	459,115
Transfers (out)	<u>(50,000)</u>	<u>(22,584)</u>	<u>(72,584)</u>
Change in Net Position	1,084,922	27,806	1,112,728
Beginning net position	<u>20,667,083</u>	<u>53,865</u>	<u>20,720,948</u>
Ending Net Position	<u>\$ 21,752,005</u>	<u>\$ 81,671</u>	<u>\$ 21,833,676</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, 2021

	Water & Sewer	Sanitation	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 4,072,851	\$ 457,770	\$ 4,530,621
Payments to suppliers and employees	(2,717,051)	(407,963)	(3,125,014)
Net Cash Provided by Operating Activities	1,355,800	49,807	1,405,607
<u>Cash Flows from Noncapital Financing Activities</u>			
Short-term borrowing between funds	993,786	-	993,786
Net Cash (Used) Provided by Noncapital Financing Activities	993,786	-	993,786
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers (out)	(50,000)	(22,584)	(72,584)
Net Cash Provided (Used) by Noncapital Financing Activities	(50,000)	(22,584)	(72,584)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchase of capital assets	(4,374,971)	-	(4,374,971)
Intergovernmental revenues	1,898	-	1,898
Principal paid on debt	(285,275)	-	(285,275)
Interest paid on debt	(267,394)	-	(267,394)
Net Cash (Used) Provided by Capital and Related Financing Activities	(4,925,742)	-	(4,925,742)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	3,161	-	3,161
Net Cash Provided by Investing Activities	3,161	-	3,161
Net Increase (Decrease) in Cash and Cash Equivalents	(2,622,995)	27,223	(2,595,772)
Beginning cash and cash equivalents	10,821,750	46,424	10,868,174
Ending Cash and Cash Equivalents	\$ 8,198,755	\$ 73,647	\$ 8,272,402

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, 2021

	Water & Sewer	Sanitation	Total
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 908,250	\$ 50,390	\$ 958,640
Adjustments to reconcile operating income to net cash provided:			
Depreciation	564,061	-	564,061
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(205,760)	(2,300)	(208,060)
Grant receivables	(1,898)	-	(1,898)
Prepaid expenses	(3,611)	-	(3,611)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	96,814	1,717	98,531
Compensated absences	293	-	293
Deferred outflows of resources - Pension	(12,832)	-	(12,832)
Deferred inflows of resources - Pension	(1,649)	-	(1,649)
Deferred inflows of resources - OPEB	803	-	803
Deferred outflows of resources - Pension	(1,782)	-	(1,782)
Net pension liability	10,665	-	10,665
OPEB liability	2,446	-	2,446
Net Cash Provided by Operating Activities	\$ 1,355,800	\$ 49,807	\$ 1,405,607
<u>Schedule of Non-Cash Capital and Related</u>			
<u>Financing Activities</u>			
Capital assets contributed by developer	\$ 459,115	\$ -	\$ 459,115

See Notes to Financial Statements.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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 Type A General Law 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, 2021

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

franchise taxes, licenses and permits, fines and forfeitures, and charges for services. 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 Street Construction Fund

The Capital Street Construction fund is used to account for the construction or maintenance of street projects being financed from bond proceeds, grants or transfers from other funds. This fund is considered nonmajor for reporting purposes.

Capital Drainage Fund

The Capital Drainage fund is used to account for the construction or maintenance of drainage related improvements being financed from bond proceeds, grants, or transfers from other funds. This fund is considered nonmajor for reporting purposes.

Capital Facilities Fund

The Capital Facilities fund is used to account for land acquisition, construction, renovation and equipping of government facilities being financed from bond proceeds, grants, or transfers from other funds. This fund is considered nonmajor 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.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the law enforcement, court security, court technology, police donations, child safety, equipment replacement, and parks program.

Proprietary Fund Types

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

The government reports the following major enterprise fund:

Water & Sewer Fund

This fund is used to account for the provision of water & sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, and water collection and treatment systems. 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.

Sanitation Fund

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

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of 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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

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

1. Deposits and Investments

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

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

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

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.

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NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

3. Receivables and Interfund Transactions

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

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

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

4. Property Taxes

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

<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

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

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from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumptions used within the pension actuarial valuation model.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

City of Parker, Texas

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

11. Compensated Absences

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

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

12. Long-Term Obligations

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

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

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

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

13. Pensions

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

14. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined

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NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

15. Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The appropriated budget is prepared by fund, function, and department. The legal level of control 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.

A. Expenditures in Excess of Appropriations

For the year ended, general fund expenditures exceeded appropriations at the legal level of control for municipal court and transfers out by \$6,203 and \$8,505, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the primary government had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)	Credit Rating
Certificates of deposit	\$ 2,570,836	0.06	N/A
External investment pools	10,056,040	0.11	AAAm
Total carrying value	\$ 12,626,876		
Portfolio weighted average maturity		0.10	

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

Credit risk – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2021, 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

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

deposits. As of September 30, 2021, 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. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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	Nonmajor Govt	Water & Sewer	Sanitation	Total
Property taxes	\$ 81,868	\$ 15,079	\$ -	\$ -	\$ -	\$ 96,947
Sales tax	71,238	-	-	-	-	71,238
Franchise & local taxes	51,076	-	-	-	-	51,076
Accounts	-	-	-	614,861	43,010	657,871
Grant receivable	-	-	-	428,944	-	428,944
Other	525	-	5,158	-	-	5,683
	<u>\$ 204,707</u>	<u>\$ 15,079</u>	<u>\$ 5,158</u>	<u>\$ 1,043,805</u>	<u>\$ 43,010</u>	<u>\$ 1,311,759</u>

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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
Construction in progress	46,942	11,395	-	58,337
Total capital assets not being depreciated	<u>890,426</u>	<u>11,395</u>	<u>-</u>	<u>901,821</u>
Capital assets, being depreciated:				
Land improvements	212,367	-	-	212,367
Buildings and improvements	2,616,328	-	-	2,616,328
Vehicles and equipment	4,309,786	201,500	(67,371)	4,443,915
Infrastructure	52,266,733	-	-	52,266,733
Total capital assets being depreciated	<u>59,405,214</u>	<u>201,500</u>	<u>(67,371)</u>	<u>59,539,343</u>
Less accumulated depreciation				
Land improvements	92,654	10,618	-	103,272
Buildings and improvements	912,855	61,183	-	974,038
Vehicles and equipment	2,442,002	443,121	(67,371)	2,817,752
Infrastructure	20,734,856	1,997,059	-	22,731,915
Total accumulated depreciation	<u>24,182,367</u>	<u>2,511,981</u>	<u>(67,371)</u>	<u>26,626,977</u>
Net capital assets being depreciated	<u>35,222,847</u>	<u>(2,310,481)</u>	<u>-</u>	<u>32,912,366</u>
Total Capital Assets	<u><u>\$ 36,113,273</u></u>	<u><u>\$ (2,299,086)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,814,187</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 78,145
Public safety	410,576
Public works	2,012,642
Culture and recreation	10,618
Total Governmental Activities Depreciation Expense	<u><u>\$ 2,511,981</u></u>

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 323,666	\$ -	\$ -	\$ 323,666
Construction in progress	921,379	4,299,046	(227,817)	4,992,608
Total capital assets not being depreciated	<u>1,245,045</u>	<u>4,299,046</u>	<u>(227,817)</u>	<u>5,316,274</u>
Capital assets, being depreciated:				
Water and sewer system	22,011,559	535,040	227,817	22,774,416
Vehicles and equipment	243,142	-	(4,868)	238,274
Total capital assets being depreciated	<u>22,254,701</u>	<u>535,040</u>	<u>222,949</u>	<u>23,012,690</u>
Less accumulated depreciation				
Water and sewer system	5,665,878	557,080	-	6,222,958
Vehicles and equipment	237,098	6,981	(4,868)	239,211
Total accumulated depreciation	<u>5,902,976</u>	<u>564,061</u>	<u>(4,868)</u>	<u>6,462,169</u>
Net capital assets being depreciated	<u>16,351,725</u>	<u>(515,483)</u>	<u>227,817</u>	<u>16,550,521</u>
Total Capital Assets	<u><u>\$ 17,596,770</u></u>	<u><u>\$ 3,783,563</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,866,795</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 558,645
Sewer	5,416
Total Business-Type Activities Depreciation Expense	<u><u>\$ 564,061</u></u>

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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E. Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
G.O. Refunding Bonds	\$ 1,261,816	\$ -	\$ (219,725)	\$ 1,042,091	\$ 224,939
Premium	57,787	-	(8,019)	49,768	-
Certificate of Obligation	780,000	-	(150,000)	630,000	155,000
Total Governmental Activities	<u>\$ 2,099,603</u>	<u>\$ -</u>	<u>\$ (377,744)</u>	<u>\$ 1,721,859</u>	<u>\$ 379,939</u>
Long-term liabilities due in more than one year				<u>\$ 1,341,920</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
G.O. Refunding Bonds	\$ 1,178,270	\$ -	\$ (205,275)	\$ 972,995	\$ 210,062
Premium	477,871	-	(31,180)	446,691	-
Comb. Tax and Rev. Bonds	6,000,000	-	(80,000)	5,920,000	85,000
Total Business-Type Activities	<u>\$ 7,656,141</u>	<u>\$ -</u>	<u>\$ (316,455)</u>	<u>\$ 7,339,686</u>	<u>\$ 295,062</u>
Long-term liabilities due in more than one year				<u>\$ 7,044,624</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
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Long-term debt at year end was comprised of the following debt issues:

Description & (Allocation)	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2015 Certificate of obligation (100%)	2.09%	\$ 1,485,000	\$ 630,000
2019 General obligation refunding bonds (52%)	3.00%	1,285,000	1,042,091
Total Governmental Activities		\$ 3,505,950	\$ 1,672,091
Business-type Activities:			
2018 Combination tax & revenue bonds (100%)	3.00 - 4.00%	\$ 6,075,000	\$ 5,920,000
2019 General obligation refunding bonds (48%)	3.00%	1,200,000	972,995
Total Business-Type Activities		\$ 8,334,050	\$ 6,892,995
Total Long-Term Debt			
2015 Certificate of obligation (100%)	2.09%	1,485,000	630,000
2018 Combination tax & revenue bonds (100%)	3.00 - 4.00%	6,075,000	5,920,000
2019 General obligation refunding bonds (100%)	3.00%	2,485,000	2,015,086
Total		\$ 11,840,000	\$ 8,565,086

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

Year ending September 30,	Governmental Activities			
	2019 G.O. Bonds		2015 C.O.O. Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 224,939	\$ 27,884	\$ 155,000	\$ 11,547
2023	235,282	20,981	155,000	8,308
2024	155,131	15,125	160,000	5,016
2025	131,861	10,820	160,000	1,672
2026	95,664	7,407	-	-
2027	98,330	4,499	-	-
2028	100,884	1,513	-	-
Total	\$ 1,042,091	\$ 88,229	\$ 630,000	\$ 26,543

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, 2021

2019 general obligation refunding bonds issued December 17, 2019, due in annual installments through February 15, 2028, bearing interest at 3.0% payable February 15 and August 15. The governmental activities portion is approximately 52% or \$1,285,000 of the total \$2,485,000 issue.

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

Year ending September 30,	Business-Type Activities			
	2019 G.O. Bonds		2018 C.O.O. Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 210,062	\$ 26,040	\$ 85,000	\$ 232,175
2023	219,718	19,594	80,000	229,700
2024	144,869	14,125	170,000	225,950
2025	123,140	10,105	200,000	219,400
2026	89,336	6,918	245,000	210,500
2027	91,751	4,201	255,000	200,500
2028	94,119	1,412	265,000	190,100
2029 & Thereafter	-	-	4,620,000	984,600
Total	\$ 972,995	\$ 82,395	\$ 5,920,000	\$ 2,492,925

2018 combination tax and revenue bonds issued August 21, 2018, due in annual installments through February 15, 2038, bearing interest at 3.0% to 4.0% payable February 15 and August 15. The business-type activities portion is 100% or \$6,075,000 of the total \$6,075,000 issue.

2019 general obligation refunding bonds issued December 17, 2019, due in annual installments through February 15, 2028, bearing interest at 3.0% payable February 15 and August 15. The governmental activities portion is approximately 48% or \$1,200,000 of the total \$2,485,000 issue.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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
2022	\$ 379,939	\$ 39,431	\$ 295,062	\$ 258,215	\$ 675,001	\$ 297,646
2023	390,282	29,289	299,718	249,294	690,000	278,582
2024	315,131	20,141	314,869	240,075	630,000	260,216
2025	291,861	12,492	323,139	229,505	615,000	241,997
2026	95,664	7,407	334,336	217,418	430,000	224,825
2027	98,330	4,499	346,751	204,701	445,081	209,200
2028	100,884	1,513	359,120	191,512	460,004	193,025
2029 & after	-	-	4,620,000	984,600	4,620,000	984,600
Total	\$ 1,672,091	\$ 114,772	\$ 6,892,995	\$ 2,575,319	\$ 8,565,086	\$ 2,690,091

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.

In 2017 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 grant and payable amount are owed back to the County 30 days after the City receives the grant money from TX DOT if TX DOT approves reimbursement of this project. As of September 30, 2021, the City received \$238,856 from the County related to this agreement. This amount is carried as a liability to the County and will be paid to the County when the TX DOT grant money is received.

During September 30, 2018, TX DOT indicated their approval for this project on a 100% reimbursement basis. With this approval the City owes back the funds received from Collin County for \$238,856. As of September 30, 2021, the City had a receivable for this grant of \$428,944 from TX DOT.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended September 30, 2021. In general, the City uses the general fund to liquidate governmental activities compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 83,181	\$ 91,270	\$ (83,181)	\$ 91,270	\$ 82,143
Total Governmental Activities	<u>\$ 83,181</u>	<u>\$ 91,270</u>	<u>\$ (83,181)</u>	<u>\$ 91,270</u>	<u>\$ 82,143</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 9,127</u>	
Business-Type Activities:					
Compensated Absences	\$ 18,227	\$ 18,269	\$ (17,976)	\$ 18,520	\$ 16,668
Total Business-Type Activities	<u>\$ 18,227</u>	<u>\$ 18,269</u>	<u>\$ (17,976)</u>	<u>\$ 18,520</u>	<u>\$ 16,668</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 1,852</u>	

H. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2019 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 \$8,877 and \$7,994, respectively. Current year amortization expense for governmental and business-type activities totaled \$1,430 and \$1,288, respectively.

I. Customer Deposits

The City had customer deposits of \$96,000 in the general fund as of yearend. The City requires a \$1,000 refundable deposit for all new home building permits. This amount will be refunded upon completion of the project and by meeting certain criteria set by the City.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

J. Interfund Transactions

The summary of interfund transfers for the year ended September 30, 2021 was as follows:

Transfers Out:	Transfer In:		Total
	General	Nonmajor Govt.	
General	\$ -	\$ 1,113,505	\$ 1,113,505
Water & sewer	25,000	25,000	50,000
Sanitation	22,584	-	22,584
Total	\$ 47,584	\$ 1,138,505	\$ 1,186,089

The composition of interfund balances as of year end was as follows:

Due from:	Due to:		Total
	Water & Sewer		
General	\$ 993,786	\$ 993,786	
Total	\$ 993,786	\$ 993,786	

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

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

	Restricted	Committed
Municipal court	* \$ 61,183	\$ -
Police department	11,546	-
VFD	119,457	-
Debt service	247,258	-
Parks and recreation	4,075	-
Capital improvements	347,577	922,157
Total	\$ 791,096	\$ 922,157

*Restricted by enabling legislation.

K. 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. On February 18, 2021, the City entered into an agreement to

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

extend the lease for 30 months and a rental rate of \$2,300 per month. Total lease expense for the year ended September 30, 2021 totaled \$27,200.

Future minimum payments for this lease are as follows:

Year ended September 30:	
2022	\$ 27,600
2023	25,300
	<hr/>
	\$ 52,900
	<hr/>

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.

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

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

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

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

2. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2020</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, 0/20
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	15
Active employees	24
Total	52

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 12.90% and 12.23% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$228,226, and were equal to the required contributions.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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, 2021

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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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, 2021

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 4,209,074	\$ 3,296,019	\$ 913,055
Changes for the year:			
Service Cost	240,809	-	240,809
Interest	284,370	-	284,370
Change in benefit terms	-	-	-
Difference between expected and actual experience	97,916	-	97,916
Changes of assumptions	-	-	-
Contributions – employer	-	216,779	(216,779)
Contributions – employee	-	100,827	(100,827)
Net investment income	-	249,892	(249,892)
Benefit payments, including refunds of emp. contributions	(233,179)	(233,179)	-
Administrative expense	-	(1,619)	1,619
Other changes	-	(62)	62
Net changes	389,916	332,638	57,278
Balance at 12/31/20	\$ 4,598,990	\$ 3,628,657	\$ 970,333

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,550,746	\$ 970,333	\$ 485,430

Pension Plan Fiduciary Net Position:

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

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

Pension expense for the year ended September 30, 2021 was \$217,081.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (95,095)
Changes in actuarial assumptions	7,242	-
Differences between expected and actual economic experience	123,186	-
Contributions subsequent to the measurement date	167,820	-
Total	\$ 298,248	\$ (95,095)

The City reported \$167,820 as deferred outflows and (inflows) 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 4,386
2022	36,136
2023	(20,049)
2024	14,860
2025	-
Thereafter	-
	\$ 35,333

E. Postemployment Benefits Other Than Pensions

Supplemental Death Benefits Plan

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

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	2
Active employees	24
Total	36

The City's retiree contribution rates to the TMRS SDBF for the years ended 2021, 2020 and 2019 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.02%	0.02%	100.0%
2020	0.02%	0.02%	100.0%
2021	0.08%	0.08%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2021, 2020 and 2019 were \$1,108, \$332, and \$327, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Parker, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 99,124	\$ 80,770	\$ 66,719

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 68,823
Changes for the year:	
Service Cost	3,697
Interest	1,939
Difference between expected and actual experience	(4,248)
Changes of assumptions	10,894
Benefit payments	(335)
Net changes	11,947
Balance at 12/31/20	\$ 80,770

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$8,537.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in assumptions	\$ 16,954	\$ -
Difference between expected and actual experience	-	(17,212)
Contributions subsequent to measurement date	1,015	-
Total	\$ 17,969	\$ (17,212)

The City reported \$1,015 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

City of Parker, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2021	\$	2,901
2022		2,901
2023		2,838
2024		707
2025		(10,299)
Thereafter		694
	\$	<u>(258)</u>

F. 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 \$20,950 for the year ended September 30, 2021. The City does not contribute to the plan.

G. Subsequent Events

There were no material subsequent events through February 4, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Parker, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 3,680,692	\$ 3,680,692	\$ 3,713,477	\$ 32,785
Sales tax	241,094	241,094	358,488	117,394
Franchise and local taxes	275,600	275,600	292,653	17,053
License and permits	445,500	445,500	856,082	410,582
Intergovernmental	1,200	1,200	165,674	164,474
Fines and forfeitures	220,000	220,000	217,792	(2,208)
Investment income	44,700	44,700	48,718	4,018
Other revenue	5,000	5,000	94,208	89,208
Total Revenues	4,913,786	4,913,786	5,747,092	833,306
Expenditures				
Current:				
General government	584,185	584,185	479,098	105,087
Police department	1,304,452	1,304,452	1,234,255	70,197
Municipal court	194,095	194,095	200,298	(6,203) *
Fire department	813,852	813,852	794,826	19,026
Building and code enforcement	208,674	208,674	196,973	11,701
Public works	352,953	442,953	312,381	130,572
City property	400,440	576,421	538,641	37,780
Total Expenditures	3,858,651	4,124,632	3,756,472	368,160
Revenues Over (Under)				
Expenditures	1,055,135	789,154	1,990,620	1,201,466
Other Financing Sources (Uses)				
Transfers (out)	(1,105,000)	(1,105,000)	(1,113,505)	(8,505) *
Transfers in	50,000	50,000	47,584	(2,416)
Proceeds from sale of assets	-	-	943	943
Total Other Financing Sources (Uses)	(1,055,000)	(1,055,000)	(1,064,978)	(9,978)
Net Change in Fund Balance	\$ 135	\$ (265,846)	925,642	\$ 1,191,488
Beginning fund balance			4,130,665	
Ending Fund Balance			\$ 5,056,307	

Notes to Required Supplementary Information:

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

* Expenditures exceeded appropriations at the legal level of control.

City of Parker, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	2020	2019	2018
Total pension liability			
Service cost	\$ 240,809	\$ 232,383	\$ 197,110
Interest	284,370	263,390	245,536
Change in benefit terms	-	28,011	-
Differences between expected and actual experience	97,916	66,461	(478)
Changes of assumptions	-	11,930	-
Benefit payments, including refunds of participant contributions	(233,179)	(301,958)	(144,651)
Net change in total pension liability	389,916	300,217	297,517
Total pension liability - beginning	4,209,074	3,908,857	3,611,340
Total pension liability - ending (a)	4,598,990	4,209,074	3,908,857
Plan fiduciary net position			
Contributions - employer	\$ 216,779	\$ 199,957	\$ 180,329
Contributions - members	100,827	98,259	87,800
Net investment income	249,892	441,645	(84,398)
Benefit payments, including refunds of participant contributions	(233,179)	(301,958)	(144,651)
Administrative expenses	(1,619)	(2,499)	(1,634)
Other	(62)	(74)	(87)
Net change in plan fiduciary net position	332,638	435,330	37,359
Plan fiduciary net position - beginning	3,296,019	2,860,689	2,823,330
Plan fiduciary net position - ending (b)	\$ 3,628,657	\$ 3,296,019	\$ 2,860,689
Fund's net pension liability - ending (a) - (b)	\$ 970,333	\$ 913,055	\$ 1,048,168
 Plan fiduciary net position as a percentage of the total pension liability	 78.90%	 78.31%	 73.18%
Covered payroll	\$ 1,680,453	\$ 1,637,653	\$ 1,463,325
 Fund's net position as a percentage of covered payroll	 57.74%	 55.75%	 71.63%

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.

2017	2016	2015	2014
\$ 177,420	\$ 169,837	\$ 142,149	\$ 113,443
226,154	207,380	196,185	189,492
-	-	-	-
19,112	52,583	(2,192)	(43,077)
-	-	81,015	-
(146,144)	(164,770)	(157,911)	(199,299)
276,542	265,030	259,246	60,559
3,334,798	3,069,768	2,810,522	2,749,963
3,611,340	3,334,798	3,069,768	2,810,522
\$ 161,326	\$ 140,906	\$ 132,625	\$ 108,296
79,147	75,483	68,124	63,331
332,048	148,469	3,182	118,262
(146,144)	(164,770)	(157,911)	(199,299)
(1,723)	(1,679)	(1,938)	(1,235)
(87)	(90)	(96)	(102)
424,567	198,319	43,986	89,253
2,398,763	2,200,444	2,156,458	2,067,205
\$ 2,823,330	\$ 2,398,763	\$ 2,200,444	\$ 2,156,458
\$ 788,010	\$ 936,035	\$ 869,324	\$ 654,064
78.18%	71.93%	71.68%	76.73%
\$ 1,319,109	\$ 1,258,049	\$ 1,136,281	\$ 1,055,519
59.74%	74.40%	76.51%	61.97%

City of Parker, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Actuarially determined employer contributions	\$ 228,226	\$ 210,992	\$ 200,142	\$ 170,493
Contributions in relation to the actuarially determined contribution	<u>\$ 228,226</u>	<u>\$ 210,992</u>	<u>\$ 200,142</u>	<u>\$ 170,493</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 1,736,745	\$ 1,659,525	\$ 1,634,800	\$ 1,385,733
Employer contributions as a percentage of covered payroll	13.14%	12.71%	12.24%	12.30%

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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 154,623	\$ 134,731	\$ 126,757
<u>\$ 154,623</u>	<u>\$ 134,731</u>	<u>\$ 126,757</u>
\$ -	\$ -	\$ -
\$ 1,293,066	\$ 1,191,182	\$ 1,116,212
11.96%	11.31%	11.36%

City of Parker, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Year Ended December 31,

	2020	2019	2018	2017 ¹
Total OPEB liability				
Service cost	\$ 3,697	\$ 4,094	\$ 4,390	\$ 3,430
Interest	1,939	5,520	1,537	1,432
Differences between expected and actual experience	(4,248)	(98,867)	100,311	-
Changes of assumptions	10,894	11,490	(3,411)	3,479
Benefit payments, including refunds of participant contributions	(335)	(328)	(293)	(264)
Net changes	<u>11,947</u>	<u>(78,091)</u>	<u>102,534</u>	<u>8,077</u>
Total OPEB liability - beginning	<u>68,823</u>	<u>146,914</u>	<u>44,380</u>	<u>36,303</u>
Total OPEB liability - ending	<u><u>\$ 80,770</u></u>	<u><u>\$ 68,823</u></u>	<u><u>\$ 146,914</u></u>	<u><u>\$ 44,380</u></u> ²
 Covered payroll	 \$ 1,680,453	 \$ 1,637,653	 \$ 1,463,325	 \$ 1,319,109
Total OPEB Liability as a percentage of covered payroll	4.81%	4.20%	10.04%	3.36%

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.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

City of Parker, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Capital Street Const. Fund	Capital Drainage Fund	Capital Facilities Fund	Volunteer Fire Dept. Fund	Law Enforcement Fund
<u>Assets</u>					
Cash and cash equivalents	\$ 464,667	\$ 141,002	\$ 370,672	\$ 51,375	\$ 7,413
Investments	-	-	-	68,082	-
Receivables, net	-	-	-	-	-
Prepays	-	-	-	-	-
Total Assets	\$ 464,667	\$ 141,002	\$ 370,672	\$ 119,457	\$ 7,413
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,496
Unearned revenue	117,090	-	-	-	-
Total Liabilities	117,090	-	-	-	2,496
<u>Fund Balances</u>					
Restricted:					
Capital projects	347,577	-	-	-	-
Public safety	-	-	-	119,457	4,917
Parks & recreation	-	-	-	-	-
Committed					
Capital projects	-	141,002	370,672	-	-
Total Fund Balances	347,577	141,002	370,672	119,457	4,917
Total Liabilities and Fund Balances	\$ 464,667	\$ 141,002	\$ 370,672	\$ 119,457	\$ 7,413

Equipment Replacement Fund	Court Security Fund	Court Technology Fund	Child Safety Fund	Police Donations Fund	Parks Program	Total Nonmajor Governmental
\$ 405,325	\$ 44,902	\$ 6,358	\$ 9,684	\$ 6,629	\$ 4,075	\$ 1,512,102
-	-	-	-	-	-	68,082
5,158	-	-	-	-	-	5,158
-	-	239	-	-	-	239
<u>\$ 410,483</u>	<u>\$ 44,902</u>	<u>\$ 6,597</u>	<u>\$ 9,684</u>	<u>\$ 6,629</u>	<u>\$ 4,075</u>	<u>\$ 1,585,581</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,496
-	-	-	-	-	-	117,090
-	-	-	-	-	-	119,586
-	-	-	-	-	-	347,577
-	44,902	6,597	9,684	6,629	-	192,186
-	-	-	-	-	4,075	4,075
410,483	-	-	-	-	-	922,157
<u>410,483</u>	<u>44,902</u>	<u>6,597</u>	<u>9,684</u>	<u>6,629</u>	<u>4,075</u>	<u>1,465,995</u>
<u>\$ 410,483</u>	<u>\$ 44,902</u>	<u>\$ 6,597</u>	<u>\$ 9,684</u>	<u>\$ 6,629</u>	<u>\$ 4,075</u>	<u>\$ 1,585,581</u>

City of Parker, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2021

	Capital Street Const. Fund	Capital Drainage Fund	Capital Facilities Fund	Volunteer Fire Dept. Fund	Law Enforcement Fund
Revenues					
Fines and forfeitures	\$ -	\$ -	-	\$ -	-
Other revenues	-	-	-	-	416
Investment income	-	-	-	542	-
Donations	-	-	-	2,600	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,142</u>	<u>416</u>
Expenditures					
General government	-	-	50,541	-	-
Public safety	-	-	-	28,676	-
Public works	326,877	2,126	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>326,877</u>	<u>2,126</u>	<u>50,541</u>	<u>28,676</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(326,877)</u>	<u>(2,126)</u>	<u>(50,541)</u>	<u>(25,534)</u>	<u>416</u>
Other Financing Sources (Uses)					
Transfers in	400,000	100,000	350,000	-	-
Proceeds from sale of assets	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>100,000</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>73,123</u>	<u>97,874</u>	<u>299,459</u>	<u>(25,534)</u>	<u>416</u>
Beginning fund balances	274,454	43,128	71,213	144,991	4,501
Ending Fund Balances	<u>\$ 347,577</u>	<u>\$ 141,002</u>	<u>\$ 370,672</u>	<u>\$ 119,457</u>	<u>\$ 4,917</u>

Equipment Replacement Fund	Court Security Fund	Court Technology Fund	Child Safety Fund	Police Donations Fund	Parks Program	Total Nonmajor Governmental
\$ -	\$ 4,630	\$ 3,889	\$ 5,927	\$ -	\$ -	\$ 14,446
-	-	-	-	-	-	416
-	-	-	-	-	-	542
-	-	-	-	2,000	750	5,350
-	4,630	3,889	5,927	2,000	750	20,754
-	-	-	-	4,096	2,175	56,812
-	-	4,554	-	-	-	33,230
-	-	-	-	-	-	329,003
62,210	-	-	-	-	-	62,210
62,210	-	4,554	-	4,096	2,175	481,255
(62,210)	4,630	(665)	5,927	(2,096)	(1,425)	(460,501)
275,000	-	-	-	8,505	5,000	1,138,505
26,007	-	-	-	-	-	26,007
301,007	-	-	-	8,505	5,000	1,164,512
238,797	4,630	(665)	5,927	6,409	3,575	704,011
171,686	40,272	7,262	3,757	220	500	761,984
\$ 410,483	\$ 44,902	\$ 6,597	\$ 9,684	\$ 6,629	\$ 4,075	\$ 1,465,995