

CITY OF PARKER, TEXAS

**Financial Statements
(With Auditor's Report Thereon)**

September 30, 2011

CITY OF PARKER
Annual Financial Report
For the Year Ended September 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Parker
Parker, Texas 75002

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, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Parker. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Parker, Texas, at September 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor
and Members of the City Council
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perington, Howard & Company, P.C.

December 9, 2011

Management's Discussion and Analysis

As management of the City of Parker, we offer readers of the City of Parker's financial statements this narrative overview and analysis of the financial activities of the City of Parker for the fiscal year ended September 30, 2011. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Parker exceeded its liabilities at the close of the most recent fiscal year by \$50,964,678 (net assets). Of this amount, \$5,319,059, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$195,954. This decrease is attributable to the governmental activities.
- As of the close of the current fiscal year, the City of Parker's governmental funds reported combined ending fund balances of \$3,041,533, a decrease of \$1,241,076 in comparison with the prior year. Most of the decrease is due to capital outlay expenditures and transfers to the water and sewer fund. Of the fund balance, \$2,793,013 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,793,013 or 122 percent of total general fund expenditures.
- The City of Parker's long-term debt decreased by \$1,203,259 during the current fiscal year. This was due to scheduled principal payments on outstanding debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Parker's basic financial statements. The City of Parker's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the City of Parker's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Parker is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement 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 of Parker 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 of Parker include general government, public safety, transportation, and recreation. The business-type activities of the City of Parker include the water and sewer system.

The government-wide financial statements include only the City of Parker itself (known as the primary government). The Parker Volunteer Fire Department, although legally separate, functions as a special revenue fund of the City of Parker and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Parker, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Parker can be divided into two categories: governmental funds and proprietary funds.

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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Parker maintains four 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 fund, debt service fund, capital improvement fund and fire department fund. The general, debt service and capital improvement funds are considered to be major funds.

The City of Parker adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds. The City of Parker maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Parker uses enterprise funds to account for its Water and Sewer and Sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Sanitation operations, which is considered to be a major fund of the City of Parker.

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Parker, assets exceed liabilities by \$50,964,678 at the close of the most recent fiscal year.

A portion of the City of Parker's net assets (89 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Parker uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Parker'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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Parker's net assets (.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$5,319,059 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Parker is able to report positive balances in all three categories of net assets for the government as a whole.

CITY OF PARKER - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,396,443	4,630,852	2,616,473	1,871,936	6,012,916	6,502,788
Capital assets	39,632,141	41,057,953	13,079,958	12,613,143	52,712,099	53,671,096
Total assets	43,028,584	45,688,805	15,696,431	14,485,079	58,725,015	60,173,884
Long-term liabilities	3,627,117	4,485,818	3,726,961	4,071,519	7,354,078	8,557,337
Other liabilities	326,649	303,481	79,610	152,434	406,259	455,915
Total liabilities	3,953,766	4,789,299	3,806,571	4,223,953	7,760,337	9,013,252
Net assets:						
Invested in capital assets, net of						
related debt	36,027,901	36,599,154	9,369,198	8,551,893	45,397,099	45,151,047
Restricted	248,520	1,527,523			248,520	1,527,523
Unrestricted	2,798,397	2,772,829	2,520,662	1,709,233	5,319,059	4,482,062
Total net assets	\$ 39,074,818	40,899,506	11,889,860	10,261,126	50,964,678	51,160,632

CITY OF PARKER - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 321,083	317,315	2,837,985	2,128,306	3,159,068	2,445,621
Operating grants and						
Contributions	174,263	92,836			174,263	92,836
Capital grants and						
Contributions	122,048	1,301,584			122,048	1,301,584
General revenues:						
Property taxes	1,867,500	1,875,353			1,867,500	1,875,353
Other taxes	308,253	283,582			308,253	283,582
Other	168,330	171,258	3,599	39,395	171,929	210,653
Total revenues	2,961,477	4,041,928	2,841,584	2,167,701	5,803,061	6,209,629
Expenses:						
General government activities	3,906,749	3,638,032			3,906,749	3,638,032
Garbage collection			233,617	215,523	233,617	215,523
Water & Sewer			1,858,649	1,930,542	1,858,649	1,930,542
Total expenses	3,906,749	3,638,032	2,092,266	2,146,065	5,999,015	5,784,097
Increase/(decrease) in net						
assets before transfers	(945,272)	403,896	749,318	21,636	(195,954)	425,532
Transfers in/(out)	(879,416)	(1,973,826)	879,416	1,973,826		
Increase(decrease) in net assets	(1,824,688)	(1,569,930)	1,628,734	1,995,462	(195,954)	425,532
Net assets - 10/01/09	40,899,506	42,469,436	10,261,126	8,265,664	51,160,632	50,735,100
Net Assets - 09/30/10	\$ 39,074,818	40,899,506	11,889,860	10,261,126	50,964,678	51,160,632

The following key elements influenced the changes in net assets from the prior year:

Governmental Activities:

- Net transportation expenses increased by \$1,518,637 over the previous year.

Business-type Activities

Business-type activities increased the City of Parker's net assets by \$1,628,734.

- Water, sewer and garbage collection charges increased by \$709,679.
- Operating expenses decreased by \$53,799 over the previous year.

Financial Analysis of the Government's Funds

As noted earlier, the City of Parker uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As the end of the current fiscal year, the City of Parker's governmental funds reported combined ending fund balances of \$3,041,533, a decrease of \$1,241,076 from the prior year. Most of the decrease is due to capital outlay expenditures and transfers to the water and sewer fund. Of the current combined ending fund balance, \$2,793,013 is unassigned, and \$248,520 is restricted.

The general fund is the main operating fund of the City of Parker. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,793,013. Total unassigned fund balance represents 122% of total general fund expenditures.

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

Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$2,520,662. The total increase in net assets of the Enterprise Funds was \$1,628,734. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Parker's business type activities.

General Fund Budgetary Highlights

During the year, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates. The budget had called for a \$323,495 decrease in fund balance. Actual results increased the fund balance by \$37,927.

Capital Asset and Debt Administration

Capital assets. The City of Parker's investment in capital assets for its governmental and business-type activities as of September 30, 2011, was \$52,712,099 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Preserve and trail improvements of \$177,147 were the major additions to the governmental activities capital assets.
- Completion of an elevated storage tank and water lines of \$840,009 were the major additions to the business-type activities.

Additional information on the City of Parker's capital assets can be found in note 3.C. on page 32 of this report.

Long-term debt. At the end of the current fiscal year, the City of Parker had bonded debt outstanding of \$7,315,000.

The City of Parker's long-term debt decreased by \$1,203,259 due to scheduled principal payments on outstanding debt.

Additional information on the City of Parker's long-term debt can be found in notes 3.F. and 3.G. on pages 33-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Parker continued to experience controlled single-family residential development. Property taxes continue to be the City's primary source of revenue. Managed growth has continued through fiscal year 2012 as anticipated. Residential construction is anticipated to continue at about the same pace in the 2011-2012 period.

City Administration submits a monthly Revenue and Expenditure report and Investment report, which is reviewed by the City Council in open Council Meetings. Moderate growth will continue to create demands for additional public services, i.e. fire and police, and public works. These factors were considered in preparing the City's budget for the 2011-2012 fiscal year. The budget that was developed by City management and approved by the City's elected officials focused on using the City's available financial resources. In the past five years, tightly constrained budgets have been approved, which were heavily dependent on ad valorem taxes and permit fees. Therefore, it is critical city management and Council continue to monitor revenue and spending patterns very closely and pay particular attention to residential housing permit patterns during FY 2012.

1. Water Tower/Distribution System - \$3.25 Million budgeted total project - funded through General Obligation Bond over the last two years.
2. Salary Increases - Overall average of 3% Merit and adjustments to remain competitive in the market place.
3. Ad Valorem Taxes - Anticipate about the same in revenue from Ad Valorem Taxes. Tax rate remained at \$0.37708.
4. Building Permits - Anticipate a small increase in building permits during FY 2011-2012.

Request for Information

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Parker, City Administrator, 5700 East Parker Road, Parker, Texas 75002.

BASIC FINANCIAL STATEMENTS

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CITY OF PARKER
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 1,485,895	1,642,442	3,128,337
Investments	2,101,174		2,101,174
Receivables (net of allowance for uncollectibles)	24,046	408,985	433,031
Restricted assets - cash and cash equivalents		270,271	270,271
Due (to)/from other funds	(252,922)	252,922	
Due from other governments			
Deferred charges	38,250	41,853	80,103
Capital assets not being depreciated:			
Land and improvements	1,020,631	107,417	1,128,048
Construction in progress		427,726	427,726
Capital assets (net of accumulated depreciation):			
Buildings and improvements	2,276,625		2,276,625
Water and sewer systems		12,504,309	12,504,309
Equipment and vehicles	786,591	40,506	827,097
Streets/infrastructure	<u>35,548,294</u>		<u>35,548,294</u>
Total assets	<u>43,028,584</u>	<u>15,696,431</u>	<u>58,725,015</u>
LIABILITIES			
Accounts payable	239,253	44,166	283,419
Accrued salaries	13,451	4,306	17,757
Accrued interest payable	30,945	31,138	62,083
Building permit deposits	43,000		43,000
Noncurrent liabilities:			
Due within one year	229,168	252,094	481,262
Due in more than one year	<u>3,397,949</u>	<u>3,474,867</u>	<u>6,872,816</u>
Total liabilities	<u>3,953,766</u>	<u>3,806,571</u>	<u>7,760,337</u>
NET ASSETS			
Invested in capital assets, net of related debt	36,027,901	9,369,198	45,397,099
Restricted	248,520		248,520
Unrestricted	<u>2,798,397</u>	<u>2,520,662</u>	<u>5,319,059</u>
Total net assets	<u>\$ 39,074,818</u>	<u>11,889,860</u>	<u>50,964,678</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 756,952	156,073		
Public safety	1,016,882	165,010	174,263	
Transportation	1,968,623			
Culture and recreation	27,775			122,048
Interest and fiscal charges	<u>136,517</u>			
Total governmental activities	<u>3,906,749</u>	<u>321,083</u>	<u>174,263</u>	<u>122,048</u>
Business-type activities:				
Water	1,721,424	2,418,741		
Sewer	137,225	153,525		
Garbage collection	<u>233,617</u>	<u>265,719</u>		
Total business-type activities	<u>2,092,266</u>	<u>2,837,985</u>		
Total primary government	\$ <u>5,999,015</u>	<u>3,159,068</u>	<u>174,263</u>	<u>122,048</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
Unrestricted investment earnings
Miscellaneous revenue
Gain on sale of capital assets
Transfers
Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(600,879)		(600,879)
(677,609)		(677,609)
(1,968,623)		(1,968,623)
94,273		94,273
<u>(136,517)</u>		<u>(136,517)</u>
<u>(3,289,355)</u>		<u>(3,289,355)</u>
	697,317	697,317
	16,300	16,300
	<u>32,102</u>	<u>32,102</u>
	<u>745,719</u>	<u>745,719</u>
<u>(3,289,355)</u>	<u>745,719</u>	<u>(2,543,636)</u>
1,867,500		1,867,500
101,765		101,765
206,488		206,488
74,026	1,767	75,793
43,114	1,832	44,946
51,190		51,190
<u>(879,416)</u>	<u>879,416</u>	
<u>1,464,667</u>	<u>883,015</u>	<u>2,347,682</u>
(1,824,688)	1,628,734	(195,954)
<u>40,899,506</u>	<u>10,261,126</u>	<u>51,160,632</u>
<u>39,074,818</u>	<u>11,889,860</u>	<u>50,964,678</u>

CITY OF PARKER

Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,150,374	74,429	195,274	65,818	1,485,895
Investments	2,065,943			35,231	2,101,174
Receivables (net of allowance for uncollectibles)	24,046				24,046
Due from other governments					
Due from other funds	<u> </u>	<u>1,536</u>	<u> </u>	<u> </u>	<u>1,536</u>
 Total assets	 \$ <u>3,240,363</u>	 <u>75,965</u>	 <u>195,274</u>	 <u>101,049</u>	 <u>3,612,651</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 122,623		116,630		239,253
Accrued salaries	13,451				13,451
Accrued interest payable		7,138			7,138
Building permit deposits	43,000				43,000
Due to other funds	254,458				254,458
Deferred revenue	<u>13,818</u>				<u>13,818</u>
Total liabilities	<u>447,350</u>	<u>7,138</u>	<u>116,630</u>		<u>571,118</u>
Fund balances:					
Restricted:					
Debt service		68,827			68,827
Capital outlay			78,644		78,644
Volunteer fire department				101,049	101,049
Unassigned	<u>2,793,013</u>				<u>2,793,013</u>
Total fund balances	<u>2,793,013</u>	<u>68,827</u>	<u>78,644</u>	<u>101,049</u>	<u>3,041,533</u>
 Total liabilities and fund balances	 \$ <u>3,240,363</u>	 <u>75,965</u>	 <u>195,274</u>	 <u>101,049</u>	 <u>3,612,651</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2011

Total Fund Balances - Governmental Funds \$ 3,041,533

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the end of the year, the cost of these assets was \$47,092,511 and the accumulated depreciation was \$(7,460,370). The net effect of including capital assets (net of depreciation) is to increase net assets.

39,632,141

Long term liabilities are not reported as liabilities in the funds. The net effect of including long term debt is to decrease net assets.

(3,627,117)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets.

(23,807)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$13,818 as revenue, capitalizing bond issuance costs net of amortization of \$38,250. The net effect of these reclassifications is to increase net assets.

52,068

Net Assets of Governmental Activities

\$ 39,074,818

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2011

	General Fund	Debt Service Fund	Capital Improvement Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 1,423,275	456,642			1,879,917
Sales	101,765				101,765
Franchise	206,488				206,488
License and permits	163,843				163,843
Intergovernmental	123,095			6,809	129,904
Investment income	71,790	473	1,320	443	74,026
Fines, warrants and seizures	157,240				157,240
Donations/fund raisers	84,619			81,788	166,407
Miscellaneous	38,038			5,076	43,114
Total revenues	<u>2,370,153</u>	<u>457,115</u>	<u>1,320</u>	<u>94,116</u>	<u>2,922,704</u>
EXPENDITURES					
Current:					
General government	564,547				564,547
Police department	607,211				607,211
Municipal court	103,005				103,005
Fire department	210,700			55,969	266,669
Building and code enforcement	84,786				84,786
Parks and recreation	1,745				1,745
Public works/streets	432,709		3,016		435,725
City property	64,735				64,735
Capital outlay	220,139				220,139
Debt service:					
Principal		746,884			746,884
Interest and fiscal charges		156,251			156,251
Total expenditures	<u>2,289,577</u>	<u>903,135</u>	<u>3,016</u>	<u>55,969</u>	<u>3,251,697</u>
Excess (deficiency) of revenues over(under) expenditures	<u>80,576</u>	<u>(446,020)</u>	<u>(1,696)</u>	<u>38,147</u>	<u>(328,993)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	51,190				51,190
Transfer in/(out)	(93,839)	525,289	(1,310,866)		(879,416)
Refunding bonds issued		2,959,825			2,959,825
Payments to refund bond escrow agent		(3,126,487)			(3,126,487)
Bond premium		82,805			82,805
Total other financing sources (uses)	<u>(42,649)</u>	<u>441,432</u>	<u>(1,310,866)</u>		<u>(912,083)</u>
Net change in fund balances	37,927	(4,588)	(1,312,562)	38,147	(1,241,076)
Fund balances, beginning	<u>2,755,086</u>	<u>73,415</u>	<u>1,391,206</u>	<u>62,902</u>	<u>4,282,609</u>
Fund balances, ending	\$ <u>2,793,013</u>	<u>68,827</u>	<u>78,644</u>	<u>101,049</u>	<u>3,041,533</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ (1,241,076)
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Current year capital outlays of \$220,139 and long-term debt principal payments of \$746,884 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reduction in debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

967,023

Current year bond issuance of \$(2,959,825) and retirement of bonded indebtedness of \$3,067,500 are other financing sources and (uses) in the fund financial statements, but are reported as (increases) and decreases in debt in the government-wide financial statements. The net effect of the debt issuance and payments is to increase net assets.

107,675

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets.

(1,645,951)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$(12,417) as revenue, and accrued interest of \$(1,834), amortization of bond issuance costs of \$(2,250), and compensated absences of \$4,142. The net effect of these reclassifications is to decrease net assets.

(12,359)

Change in Net Assets of Governmental Activities	\$ <u><u>(1,824,688)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Taxes:				
Property	\$ 1,434,159	1,434,159	1,423,275	(10,884)
Sales	92,400	92,400	101,765	9,365
Franchise	200,000	200,000	206,488	6,488
License and permits:				
Building permits	120,000	120,000	153,663	33,663
Special use permits	1,000	1,000	1,000	
Alarm permits	6,000	6,000	7,770	1,770
Filing fee	1,000	1,000	1,410	410
Grants	159,000	159,000	123,095	(35,905)
Investment income	68,500	68,500	71,790	3,290
Fines, warrants and seizures	177,200	177,200	157,240	(19,960)
Miscellaneous	8,800	8,800	122,657	113,857
Total revenues	<u>2,268,059</u>	<u>2,268,059</u>	<u>2,370,153</u>	<u>102,094</u>
EXPENDITURES				
Current:				
General government	633,719	633,719	564,547	69,172
Police department	639,175	639,175	607,211	31,964
Municipal court	142,617	142,617	103,005	39,612
Fire department	214,800	214,800	210,700	4,100
Building & code enforcement	93,353	93,353	84,786	8,567
Parks and recreation	8,750	8,750	1,745	7,005
Public works/streets	541,145	541,145	432,709	108,436
City property	74,350	74,350	64,735	9,615
Capital outlay	<u>243,645</u>	<u>243,645</u>	<u>220,139</u>	<u>23,506</u>
Total expenditures	<u>2,591,554</u>	<u>2,591,554</u>	<u>2,289,577</u>	<u>301,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(323,495)</u>	<u>(323,495)</u>	<u>80,576</u>	<u>404,071</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			51,190	51,190
Transfers (out)			<u>(93,839)</u>	<u>(93,839)</u>
Total other financing sources (uses)			<u>(42,649)</u>	<u>(42,649)</u>
Net change in fund balances	(323,495)	(323,495)	37,927	361,422
Fund balances, beginning	<u>2,755,086</u>	<u>2,755,086</u>	<u>2,755,086</u>	
Fund balances, ending	\$ <u>2,431,591</u>	<u>2,431,591</u>	<u>2,793,013</u>	<u>361,422</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Net Assets
Proprietary Fund
September 30, 2011

	<u>Water/Sewer and Sanitation</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,642,442
Restricted cash and cash equivalents	270,271
Receivables (net of allowance of uncollectibles)	408,985
Due from other funds	<u>252,922</u>
Total current assets	<u>2,574,620</u>
Noncurrent assets:	
Deferred charges	<u>41,853</u>
Capital assets:	
Land	107,417
Construction in progress	427,726
Water/sewer systems	14,858,400
Equipment & vehicles	258,312
Less: accumulated depreciation	<u>(2,571,897)</u>
Total capital assets (net of accumulated depreciation)	<u>13,079,958</u>
Total noncurrent assets	<u>13,121,811</u>
Total assets	<u>15,696,431</u>
LIABILITIES	
Current liabilities:	
Accounts payable	44,166
Accrued salaries	4,306
Compensated absences payable	12,961
Accrued interest payable	31,138
Current portion of revenue bonds payable	<u>239,133</u>
Total current liabilities	<u>331,704</u>
Noncurrent liabilities:	
Compensated absences payable	3,240
Revenue bonds payable	<u>3,471,627</u>
Total noncurrent liabilities	<u>3,474,867</u>
Total liabilities	<u>3,806,571</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,369,198
Unrestricted	<u>2,520,662</u>
Total net assets	<u>\$ 11,889,860</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended September 30, 2011

	Water/Sewer and <u>Sanitation</u>
OPERATING REVENUES	
Water sales	\$ 2,323,209
Garbage collection	265,719
Sewer revenue	153,525
Meter installations	61,648
Tap fees	6,068
Late charges	26,866
Reconnect fees	950
Miscellaneous	<u>1,832</u>
Total operating revenues	<u>2,839,817</u>
OPERATING EXPENSES	
Water	1,297,499
Sewer	131,809
Garbage collection	233,617
Depreciation/amortization	<u>374,869</u>
Total operating expenses	<u>2,037,794</u>
Operating income/(loss)	<u>802,023</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	879,416
Interest income	1,767
Interest expense	<u>(54,472)</u>
Total nonoperating revenues (expenses)	<u>826,711</u>
Change in net assets	1,628,734
Net assets, beginning	<u>10,261,126</u>
Net assets, ending	\$ <u><u>11,889,860</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2011

	Water/Sewer and <u>Sanitation</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,671,190
Cash paid to suppliers	(1,265,292)
Cash paid to employees	<u>(411,104)</u>
Net cash provided (used) by operating activities	<u>994,794</u>
 Cash flows from noncapital financing activities:	
Transfers from other funds	<u>879,416</u>
Net cash provided (used) by noncapital financing activities	<u>879,416</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(840,009)
Principal payments on capital debt	(3,115,665)
Interest paid on capital debt	(120,879)
Proceeds from bond issuance	<u>2,765,175</u>
Net cash provided (used) by capital and related financing activities	<u>(1,311,378)</u>
 Cash flows from investing activities:	
Interest received	<u>1,767</u>
Net cash provided (used) by investing activities	<u>1,767</u>
 Net increase (decrease) in cash and cash equivalents	 564,599
 Cash and cash equivalents, beginning	 <u>1,348,114</u>
 Cash and cash equivalents, ending	 \$ <u><u>1,912,713</u></u>

CITY OF PARKER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2011
-continued-

Reconciliation of Net Income to Net Cash Provided (Used)
by Operating Activities

	Water/Sewer and <u>Sanitation</u>
Operating income/(loss)	\$ <u>802,023</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation/amortization expense	374,869
(Increase) decrease in accounts receivable	(181,612)
Increase (decrease) in accounts payable	6,910
Increase/(decrease) in accrued salaries	(13,328)
Increase/(decrease) in compensated absences	<u>5,932</u>
Total adjustments	<u>192,771</u>
Net cash provided (used) by operating activities	\$ <u><u>994,794</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PARKER
Notes to the Financial Statements
September 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parker, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

B. Government-wide and Fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF PARKER
Notes to the Financial Statements
September 30, 2011
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital improvement fund* accounts for revenue sources that are legally restricted to expenditure for the acquisition or construction of major capital facilities.

The government reports the following proprietary funds:

The *water/sewer and sanitation fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's water/sewer fund is for water and sewer operations and the sanitation fund is for garbage operations

CITY OF PARKER
Notes to the Financial Statements
September 30, 2011
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation
(continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

3. Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40
Street improvements	20
Equipment	5-10
Vehicles	5

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the statement of net assets. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, liability is recognized for

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

5. Compensated Absences (continued)

that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

7. Fund equity (continued)

- Committed: (continued)

contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2011.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the City Council delegates this authority.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2011, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Restricted:					
Debt service	\$	68,827			68,827
Other capital projects			78,644		78,644
Volunteer fire department				101,049	101,049
Committed:					
Assigned:					
Unassigned:	<u>2,793,013</u>	<u> </u>	<u> </u>	<u> </u>	<u>2,793,013</u>
Total fund balances	\$ <u>2,793,013</u>	<u>68,827</u>	<u>78,644</u>	<u>101,049</u>	<u>3,041,533</u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America with minor exceptions. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 30, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
5. The budget approved for the Water/Sewer and Sanitation Fund follows similar approval procedures but departs from general accepted accounting principles by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

B. Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual - Water/Sewer and Sanitation Fund to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds:

	<u>Water/Sewer and Sanitation Fund</u>
Net assets (budget)	\$ 12,264,729
Depreciation	<u>(374,869)</u>
Net assets (GAAP)	\$ <u><u>11,889,860</u></u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2011, the City's carrying amount of deposits was \$1,915,913 and the bank balance was \$1,942,083. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,692,083 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The government is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government's investments are with the Texas Short Term Asset Reserve Fund ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool share. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The government is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexStar at year end was AAAM by Standard & Poor's.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the Government's investment in external investment pools is less than 60 days.

-continued-

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The government is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

At year end, the government's investments were as follows:

	<u>Fair Value</u>
Texas Short Term Asset Reserve Fund (TexStar)	\$ 1,481,095
Certificates of deposit	128,667
Bank of Texas - CDARS	<u>1,972,507</u>
Total investments	<u>\$ 3,582,269</u>

A reconciliation of cash and investments is as follows:

Cash on hand	\$ 1,915,913
Petty cash	1,600
Investments	<u>3,582,269</u>
Total cash and investments	<u>\$ 5,499,782</u>

B. Receivables

Receivables at September 30, 2011 consisted of the following:

	<u>General</u>	<u>Water/Sewer and Sanitation</u>
Property tax	\$ 13,818	
Sales tax	9,597	
Mixed beverage tax	631	
Accounts		<u>408,985</u>
Net receivables	<u>\$ 24,046</u>	<u>408,985</u>

Property taxes are based on the appraised values provided by the Collin Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is 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.

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental activities:				
Land	\$ 843,484			843,484
Land improvements		177,147		177,147
Building and improvements	2,596,792	5,000		2,601,792
Equipment	2,090,703	37,992	(80,000)	2,048,695
Streets/infrastructure	<u>41,421,393</u>			<u>41,421,393</u>
Totals at historical cost	46,952,372	220,139	(80,000)	47,092,511
Less accumulated depreciation	<u>(5,894,419)</u>	<u>(1,645,951)</u>	<u>80,000</u>	<u>(7,460,370)</u>
Governmental activities capital assets, net	\$ <u>41,057,953</u>	<u>(1,425,812)</u>		<u>39,632,141</u>
Business-type activities:				
Land	\$ 107,417			107,417
Water and sewer system	11,769,216	3,089,184		14,858,400
Equipment and vehicles	258,312			258,312
Construction in progress	<u>2,676,901</u>	<u>427,726</u>	<u>(2,676,901)</u>	<u>427,726</u>
Totals at historical cost	14,811,846	3,516,910	(2,676,901)	15,651,855
Less accumulated depreciation	<u>(2,198,703)</u>	<u>(373,194)</u>		<u>(2,571,897)</u>
Business-type activities capital assets, net	\$ <u>12,613,143</u>	<u>3,143,716</u>	<u>(2,676,901)</u>	<u>13,079,958</u>

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

Government activities:	
General government	\$ 10,225
Public safety	141,533
Transportation/streets	1,468,163
Culture and recreation	<u>26,030</u>
Total depreciation expense - government activities	\$ <u>1,645,951</u>
Business-type activities:	
Water and sewer	\$ <u>373,194</u>
Total depreciation expense - business-type activities	\$ <u>373,194</u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

D. Construction Commitments

The City had the following projects under construction at September 30, 2011:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 09/30/11</u>
<u>Business-type activities:</u>			
Water lines	10/11	\$ 935,919	\$ 427,726

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	General	\$ 252,922
Debt Service	General	<u>1,536</u>
		<u>\$ 254,458</u>

Interfund transfers:

	<u>Transfers In:</u>			<u>Total</u>
	<u>Water & Sewer Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
<u>Transfers Out:</u>				
Capital Projects Fund	\$ 821,040	490,000		1,311,040
General Fund	10,000	83,665	174	93,839
Debt Service Fund	<u>48,376</u>			<u>48,376</u>
Total	<u>\$ 879,416</u>	<u>573,665</u>	<u>174</u>	<u>1,453,255</u>

The transfer from the General Fund to the Water and Sewer Fund was for administrative costs. The transfer from the Capital Projects Fund to the Water and Sewer Fund was for completed and ongoing construction projects. The transfer from the General Fund to the Debt Service Fund was for bond refunding. The transfer from the Debt Service Fund to Water and Sewer Fund was for adjustments to principal and interest amounts. The transfer from the Capital Projects Fund to the Debt Service Fund was for debt retirement.

F. Notes Payable

The City has entered into the following loan agreements for equipment and vehicles:

In October 2002, the government obtained a loan from American National Bank to purchase a new fire truck. The truck cost was \$212,306. The truck was pledged as collateral against the note. Annual payments of \$26,339 began on October 8, 2002, including interest at 5.15 percent. The note was paid in full during the fiscal year ended September 30, 2011.

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Notes Payable (continued)

The following table summarizes the changes in notes payable for the year ended September 30, 2011:

	Balance, September <u>30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, September <u>30, 2011</u>	Due Within <u>One Year</u>
<u>General long-term debt</u>					
Smeal fire truck	\$ <u>25,049</u>		(25,049)		
Total general long-term debt	\$ <u>25,049</u>		(25,049)		

G. Long-term Debt

Long-term debt activity for the year ended September 30, 2011 for governmental activities was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Note payable	\$ 25,049		(25,049)		
2008 - G. O. Bonds	1,910,000		(1,910,000)		
2008 - C. O. s	1,796,250		(1,796,250)		
2010 - Refunding Bonds	727,500		(83,085)	644,415	79,032
2011 0 Refunding Bonds		2,959,825		2,959,825	131,835
Compensated absences	<u>27,019</u>	<u>60,068</u>	<u>(64,210)</u>	<u>22,877</u>	<u>18,301</u>
Totals	\$ <u>4,485,818</u>	<u>3,019,893</u>	<u>(3,878,594)</u>	<u>3,627,117</u>	<u>229,168</u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

Bonds payable at September 30, 2011 are comprised of the following issues for governmental activities:

2010 General Obligation Refunding Bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The governmental activities portion is 40% or \$727,500 of the total \$1,750,000 issue.

\$ 644,415

2011 General Obligation Refunding Bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The governmental activities portion is 51.7% or \$2,959,825 of the total \$5,725,000 issue.

2,959,825

Combined Debt

\$ 3,604,240

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2011 are as follows:

Year Ending September 30,	2010 G. O. Bonds		2011 G. O. Ref. Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 79,032	20,052	131,835	98,616
2013	83,085	17,681	175,780	87,382
2014	87,138	15,188	180,950	83,815
2015	89,164	12,574	188,705	80,118
2016	93,217	9,899	191,290	75,840
2017	68,900	7,103	193,875	71,025
2018	70,926	5,036	199,045	65,616
2019	72,953	2,553	204,215	59,567
2020			211,970	53,325
2021			217,140	45,803
2022			224,895	36,962
2023			237,820	27,707
2024			155,100	19,849
2025			134,420	14,294
2026			100,815	10,001
2027			103,400	6,170
2028			<u>108,570</u>	<u>2,090</u>
Totals	<u>\$ 644,415</u>	<u>90,086</u>	<u>2,959,825</u>	<u>838,180</u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

During the year ended September 30, 2011, the following changes occurred in long-term liabilities reported as business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Series 2008	\$ 2,993,750		(2,993,750)		
Series 2010	1,067,500		(121,915)	945,585	115,968
Series 2011		2,765,175		2,765,175	123,165
Compensated absences	<u>10,269</u>	<u>16,832</u>	<u>(10,900)</u>	<u>16,201</u>	<u>12,961</u>
Totals	\$ <u>4,071,519</u>	<u>2,782,007</u>	<u>(3,126,565)</u>	<u>3,726,961</u>	<u>252,094</u>

Bonds payable at September 30, 2011 are comprised of the following individual issues for the Water and Sewer Fund:

2010 General Obligation Refunding Bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The water fund portion is 60% or \$1,067,500 of the total \$1,750,000 issue.

\$ 945,585

2011 General Obligation Refunding Bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The Water Fund portion is 48.3% or \$2,765,175 of the total \$5,725,000 issue.

2,765,175

Combined Debt

\$ 3,710,760

The annual requirements to amortize the bonded debt outstanding for the Water and Sewer Fund as of September 30, 2011, are as follows:

<u>Year Ending September 30,</u>	<u>2010 G. O. Ref. Bonds</u>		<u>2011 G. O. Ref. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 115,968	29,423	123,165	92,131
2013	121,915	25,944	164,220	81,635
2014	\$ 127,862	22,287	169,050	78,303

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>2010 G. O. Ref. Bonds</u>		<u>2011 G. O. Ref. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 130,836	18,451	176,295	74,849
2016	136,783	14,526	178,710	70,852
2017	101,100	10,422	181,125	66,355
2018	104,074	7,389	185,955	61,301
2019	107,047	3,747	190,785	55,650
2020			198,030	49,818
2021			202,860	42,789
2022			210,105	34,531
2023			222,180	25,885
2024			144,900	18,544
2025			125,580	13,354
2026			94,185	9,343
2027			96,600	5,765
2028			<u>101,430</u>	<u>1,953</u>
Total	<u>\$ 945,585</u>	<u>132,189</u>	<u>2,765,175</u>	<u>783,058</u>

Restrictions of Bonded Debt

There are a number of limitations and restrictions contained in the various bond ordinances. The City is in compliance with all significant limitations and restrictions.

Defeasance of Debt

On July 13, 2011, the government issued general obligation refunding bonds of \$5,725,000 with an effective interest rate of 3.15% to advance refund the Revenue Certificates of Obligation Series 2008 and the General Obligation Bonds Series 2008 (refunded bonds), with an effective interest rate of 4.75% and a par value of \$5,930,000. The refunding bonds were issued at par and after paying issuance costs of \$90,000 and underwriters' discount of \$37,928, receiving a premium of \$198,094, and contributing \$252,199 from the Debt Service Fund and Water and Sewer Fund, the net proceeds were \$6,047,365. All of the net proceeds were used to purchase U. S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. All of the refunded bonds were called on July 15, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the government's Long Term Debt Payable.

As a result of the advance refunding, the government decreased its total debt service requirements by \$816,616, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$612,851. Inasmuch as a portion of the debt (48.3%) was that of a proprietary fund, accounting standards established by Government Accounting Standards Board Statement Number 23 were observed, and a gain on refunding of \$97,325 has been reported. This amount was reported as interest expense since the refunded bonds were called on July 15, 2011.

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Accrued interest payable	\$ 31,138
Current revenue bonds payable	<u>239,133</u>
Total restricted assets	\$ <u>270,271</u>

NOTE 4. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

B. Retirement System

Plan Description

The government provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the government are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Plan Description (continued)

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions:

Under the state law governing TMRS, the contribution rate for each government is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that government. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The government contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the government make contributions monthly. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/09	\$ 80,861	100%	\$ 0
09/30/10	\$ 97,494	100%	\$ 0
09/30/11	\$ 111,241	100%	\$ 0

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Contributions (continued)

<u>Valuation Date</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010- prior to</u>	<u>12/31/2010-</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	<u>Restructuring</u> Projected Unit Credit	<u>Restructured</u> Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	24.0 years; closed period	23.3 years; closed period	22.5 years; closed period	22.5 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years	24 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%	0.0%

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Funded Status and Funding Progress (continued)

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

<u>Schedule of Funding Progress for TMRS</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
12/31/08	\$ 901,272	1,402,313	501,041	64.3%	\$ 916,218	54.7%
12/31/09	\$ 1,036,616	1,608,029	571,413	64.5%	\$ 969,936	58.9%
12/31/10 (1)	\$ 1,209,733	1,852,407	642,674	65.3%	\$ 1,023,346	62.8%
12/31/10 (2)	\$ 1,550,249	2,167,433	617,184	71.5%	\$ 1,023,346	60.3%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. Supplemental Death Benefits Fund

Plan Description

The government 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 government elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The government 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.

-continued-

CITY OF PARKER
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

C. Supplemental Death Benefits Fund (continued)

Plan Description (continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

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

The government's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$1,462, \$1,323 and \$1,224, respectively, which equaled the required contributions each year.

**Schedule of Contributions Rates:
(RETIREE - only portion of the rate)**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
9/30/2009	0.13%	0.13%	100.0%
9/30/2010	0.13%	0.13%	100.0%
9/30/2011	0.14%	0.14%	100.0%

NOTE 5. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 9, 2011, the date which the financial statements were available to be issued.

INDIVIDUAL FUND SCHEDULES

CITY OF PARKER
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES				
Water sales	\$ 1,650,000	1,650,000	2,323,209	673,209
Meter installation fees	50,000	50,000	61,648	11,648
Sewer revenue	150,000	150,000	153,525	3,525
Tap fees			6,068	6,068
Late charges	20,000	20,000	26,866	6,866
Reconnect fees			950	950
Miscellaneous	10,000	10,000	1,832	(8,168)
Garbage collections	<u>245,000</u>	<u>245,000</u>	<u>265,719</u>	<u>20,719</u>
Total operating revenues	<u>2,125,000</u>	<u>2,125,000</u>	<u>2,839,817</u>	<u>714,817</u>
OPERATING EXPENSES				
Water:				
Legal fees	30,000	26,051	26,051	
Auditor fees	9,000	9,000	9,000	
Engineering fees	30,000	21,043	2,074	18,969
Insurance - liability	20,000	16,095	16,095	
Training/education	3,000	3,528	3,528	
Health insurance	36,441	30,072	30,072	
Worker's compensation	6,442	6,226	6,226	
Payroll taxes	4,811	4,589	4,589	
Salaries	328,769	316,432	309,037	7,395
TMRS Benefits	37,575	34,113	34,113	
Office expense	11,750	10,567	10,567	
Vehicle operation & maintenance	14,500	15,146	15,146	
Equipment & tools	2,000	208	208	
Repairs & maintenance	50,000	51,088	51,088	
Meter reading	19,000	19,556	19,556	
Communications	5,250	6,267	6,267	
Contingency	15,471			
Water purchases	636,000	699,292	699,292	
Utilities -distribution	<u>50,000</u>	<u>54,590</u>	<u>54,590</u>	
Subtotal water	<u>1,310,009</u>	<u>1,323,863</u>	<u>1,297,499</u>	<u>26,364</u>
Sewer:				
Operating expense	140,000	124,921	105,713	19,208
Repair and maintenance	15,000	15,900	15,887	13
Vehicle operation and maintenance	500	500	40	460
Insurance - liability	450	450	334	116
Salaries and wages	8,079	8,129	7,919	210
TMRS benefits	593	868	858	10
Workers' compensation	173	173	167	6
Payroll taxes	117	117	114	3
Health insurance	<u>811</u>	<u>811</u>	<u>777</u>	<u>34</u>
Subtotal sewer	<u>\$ 165,723</u>	<u>151,869</u>	<u>131,809</u>	<u>20,060</u>

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CITY OF PARKER
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2011
-continued-

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u> <u>(Negative)</u>
OPERATING EXPENSES (continued)				
Garbage collection:				
Collection service	\$ 225,000	224,680	223,782	898
Salaries and wages	8,079	8,129	7,919	210
TMRS benefits	593	863	858	5
Workers' compensation	173	173	167	6
Payroll taxes	117	117	114	3
Health insurance	<u>811</u>	<u>811</u>	<u>777</u>	<u>34</u>
Subtotal garbage collection	<u>234,773</u>	<u>234,773</u>	<u>233,617</u>	<u>1,156</u>
 Total operating expense	 <u>1,710,505</u>	 <u>1,710,505</u>	 <u>1,662,925</u>	 <u>47,580</u>
 Operating income	 <u>414,495</u>	 <u>414,495</u>	 <u>1,176,892</u>	 <u>762,397</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	10,000	10,000	879,416	869,416
Interest income			1,767	1,767
Interest expense	<u>(169,829)</u>	<u>(169,829)</u>	<u>(54,472)</u>	<u>115,357</u>
Total nonoperating revenues (expenses)	<u>(159,829)</u>	<u>(159,829)</u>	<u>826,711</u>	<u>986,540</u>
 Change in net assets	 254,666	 254,666	 2,003,603	 1,748,937
 Net assets, beginning	 <u>10,261,126</u>	 <u>10,261,126</u>	 <u>10,261,126</u>	 <u> </u>
 Net assets, ending	 \$ <u>10,515,792</u>	 <u>10,515,792</u>	 <u>12,264,729</u>	 <u>1,748,937</u>