

ANNUAL FINANCIAL REPORT

of the

City of Parker, Texas

For the Year Ended September 30, 2022

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City of Parker, Texas

Annual Financial Report

September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor & City Council
 City of Parker, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Parker, Texas's basic financial statements as listed in the table of contents.

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, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed on the table of contents on pages 7-15 and 61-66, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Parker, Texas's basic financial statements. The nonmajor governmental funds combining statements on pages 68-75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 nonmajor governmental funds combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vail + Park, P.C.

Vail & Park, P.C.
Tom Bean, Texas
March 7, 2023

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

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City of Parker, Texas

Management's Discussion and Analysis

September 30, 2022

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, 2022.

Financial Highlights

- The City's total combined net position is \$62,694,255 at September 30, 2022. Of this, \$11,597,770 (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 \$8,471,130, an increase of \$1,701,570.
- As of the end of the year, the unassigned fund balance of the General fund was \$5,534,942 or 144% of total General fund expenditures.
- The City had an overall increase in net position of \$2,860,573, which is primarily due to business- type activities revenue exceeding the current year expenses.
- The City budgeted a deficit to fund balance for the general fund of \$121,152 for the year. The actual activity resulted in an increase in the fund balance for the General fund of \$494,613. This resulted in a positive overall variance between budget to actual of \$615,765.

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.

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 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, and culture and recreation. The business-type activities of the City include water, sewer and sanitation operations.

City of Parker, Texas

Management's Discussion and Analysis (Continued)

September 30, 2022

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 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 fourteen 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.

City of Parker, Texas

Management's Discussion and Analysis (Continued)

September 30, 2022

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 total 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 \$62,694,255 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$47,904,172, 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, 2022, and September 30, 2021 were \$10,117,700 and \$7,853,806, respectively. The increase of \$2,263,894 was primarily due to greater cash on hand resulting from greater than anticipated governmental revenues and \$918,652 in capital contributions. Capital and right to use assets of Governmental Activities as of September 30, 2022 and September 30, 2021 were \$32,207,815 and \$33,814,187, respectively. The decrease of \$1,606,372, was primarily attributable to current year depreciation exceeding new capital investments and asset disposals. Long-term liabilities of Governmental Activities as of September 30, 2022 and September 30, 2021 were \$1,574,641 and \$2,175,949, respectively. The decrease of \$601,308 is primarily due to principal payments made during the current year, as required.

Current and other assets of Business-Type Activities as of September 30, 2022 and September 30, 2021 were \$8,386,431 and \$8,373,199, respectively. The slight increase of \$13,232 was due to increased utility billing revenue collected in fiscal year 2022. Other liabilities of Business- Type Activities as of September 30, 2022 and September 30, 2021 were \$854,168 and \$774,834, respectively. The increase of \$79,334 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, 2022 and September 30, 2021 were \$6,902,940 and \$7,683,359, respectively. The decrease of \$780,419 is primarily due to principal payments made during the current year, as required.

City of Parker, Texas
Management's Discussion and Analysis (Continued)
September 30, 2022

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Government Activities	Business-type Activities	Total	Government Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 10,117,700	\$ 8,386,431	\$ 18,504,131	\$ 7,853,806	\$ 8,373,199	\$ 16,227,005
Capital assets, net	32,207,815	23,387,167	55,594,982	33,814,187	21,866,795	55,680,982
Total Assets	<u>42,325,515</u>	<u>31,773,598</u>	<u>74,099,113</u>	<u>41,667,993</u>	<u>30,239,994</u>	<u>71,907,987</u>
Deferred Outflows of Resources	<u>221,730</u>	<u>75,526</u>	<u>297,256</u>	<u>257,044</u>	<u>76,044</u>	<u>333,088</u>
Liabilities						
Other liabilities	2,112,149	854,168	2,966,317	1,454,934	774,834	2,229,768
Long-term liabilities	1,574,641	6,902,940	8,477,581	2,175,949	7,683,359	9,859,308
Total Liabilities	<u>3,686,790</u>	<u>7,757,108</u>	<u>11,443,898</u>	<u>3,630,883</u>	<u>8,458,193</u>	<u>12,089,076</u>
Deferred Inflows of Resources	<u>195,446</u>	<u>62,770</u>	<u>258,216</u>	<u>88,138</u>	<u>24,169</u>	<u>112,307</u>
Net Position						
Net investment in capital assets	30,806,001	17,098,171	47,904,172	32,101,286	14,071,568	46,172,854
Restricted	1,321,312	1,871,001	3,192,313	791,096	1,654,359	2,445,455
Unrestricted	6,537,696	5,060,074	11,597,770	5,313,634	6,107,749	11,421,383
Total Net Position	<u>\$ 38,665,009</u>	<u>\$ 24,029,246</u>	<u>\$ 62,694,255</u>	<u>\$ 38,206,016</u>	<u>\$ 21,833,676</u>	<u>\$ 60,039,692</u>

City of Parker, Texas
Management's Discussion and Analysis (Continued)
September 30, 2022

Statement of Activities:

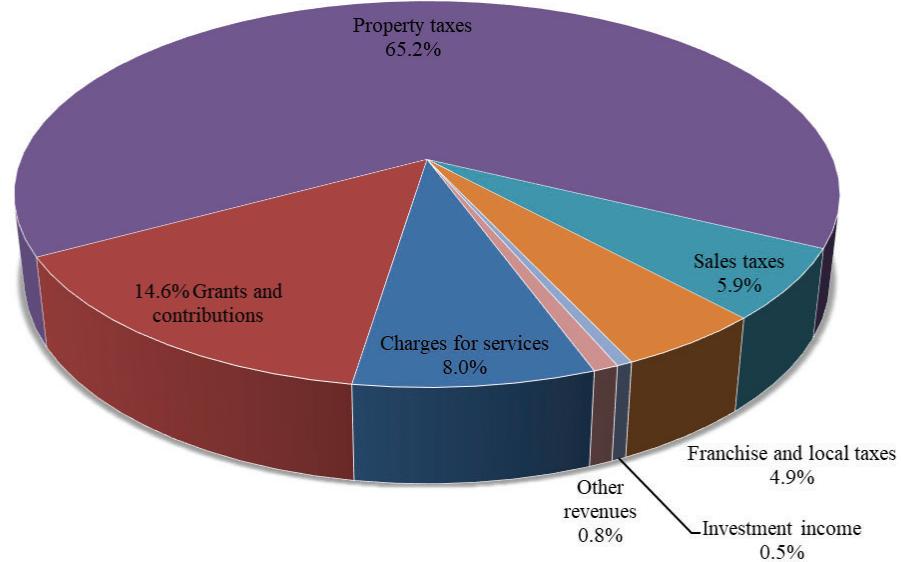
The following table provides a summary of the City's changes in net position:

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program Revenue						
Charges for services	\$ 551,538	\$ 5,665,189	\$ 6,216,727	\$ 1,088,320	\$ 4,740,579	\$ 5,828,899
Grants and contributions	1,010,335	885,480	1,895,815	6,486	461,013	467,499
General Revenue						
Property taxes	4,502,968	-	4,502,968	4,185,386	-	4,185,386
Sales taxes	410,537	-	410,537	358,488	-	358,488
Franchise and local taxes	338,312	-	338,312	266,873	-	266,873
Investment income	36,374	48,186	84,560	49,260	3,161	52,421
Other revenues	57,737	739	58,476	130,015	-	130,015
Total Revenue	<u>6,907,801</u>	<u>6,599,594</u>	<u>13,507,395</u>	<u>6,084,828</u>	<u>5,204,753</u>	<u>11,289,581</u>
Expenses						
General government	699,102	-	699,102	1,096,747	-	1,096,747
Public safety	2,521,512	-	2,521,512	2,799,376	-	2,799,376
Public works	3,052,147	-	3,052,147	2,636,790	-	2,636,790
Culture and recreation	16,253	-	16,253	10,618	-	10,618
Interest and fiscal charges	33,784	228,927	262,711	41,546	237,502	279,048
Water, sewer, & sanitation	-	4,095,097	4,095,097	-	3,781,939	3,781,939
Total Expenses	<u>6,322,798</u>	<u>4,324,024</u>	<u>10,646,822</u>	<u>6,585,077</u>	<u>4,019,441</u>	<u>10,604,518</u>
Change in Net Position Before Transfers	<u>585,003</u>	<u>2,275,570</u>	<u>2,860,573</u>	<u>(500,249)</u>	<u>1,185,312</u>	<u>685,063</u>
Transfers	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>72,584</u>	<u>(72,584)</u>	<u>-</u>
Total	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>72,584</u>	<u>(72,584)</u>	<u>-</u>
Change in Net Position	<u>665,003</u>	<u>2,195,570</u>	<u>2,860,573</u>	<u>(427,665)</u>	<u>1,112,728</u>	<u>685,063</u>
Beginning Net Position	<u>38,000,006</u>	<u>21,833,676</u>	<u>59,833,682</u>	<u>38,633,681</u>	<u>20,720,948</u>	<u>59,354,629</u>
Ending Net Position	<u>\$ 38,665,009</u>	<u>\$ 24,029,246</u>	<u>\$ 62,694,255</u>	<u>\$ 38,206,016</u>	<u>\$ 21,833,676</u>	<u>\$ 60,039,692</u>

City of Parker, Texas
Management's Discussion and Analysis (Continued)
 September 30, 2022

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

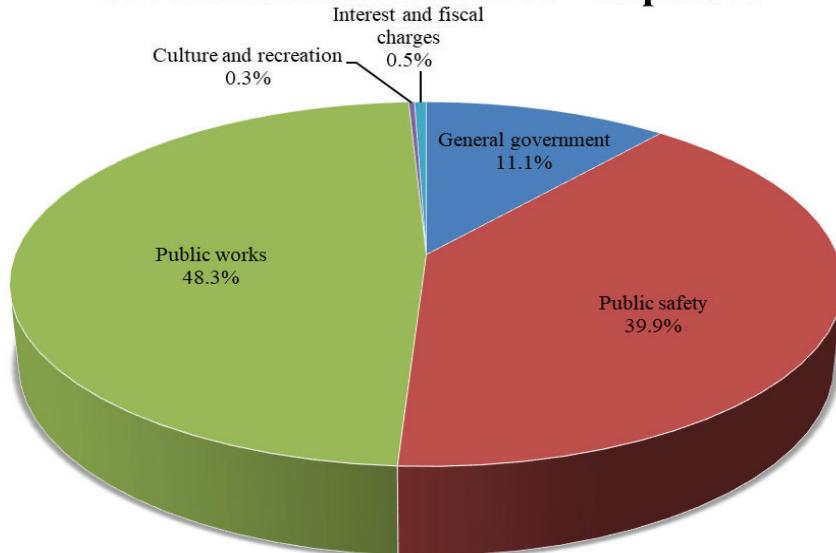
Governmental Activities - Revenues



For the year ended September 30, 2022, revenues from governmental activities totaled \$6,907,801. Property tax, charges for services, and grants and contributions are the City's largest revenue sources. Property tax increased \$317,582 or 8% due to an increase in the taxable appraisal value of properties. Grants and contributions increased \$1,003,849 due to nonrecurring capital contributions from a developer in the current year. Sales tax revenues increased \$52,049 or 15% due to increased economic growth fueled by local purchases. Investment income decreased by \$12,886 or 26% primarily due to realization of lower interest rates. Other revenues decreased by \$72,278 due primarily to nonrecurring fine collections and proceeds from sale of assets received in the prior 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

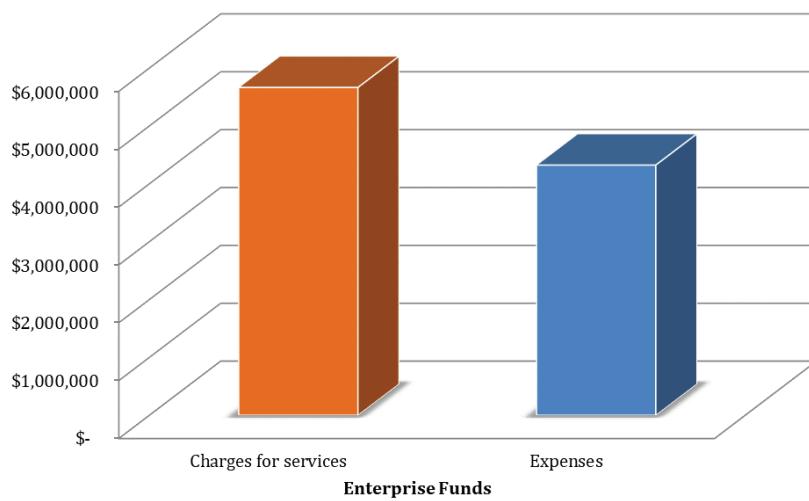
Management's Discussion and Analysis (Continued)

September 30, 2022

For the year ended September 30, 2022, expenses for governmental activities totaled \$6,322,798. This represents a decrease of \$262,279 or 4% from the prior year. The City's largest functional expense is public works for \$3,052,147. Public works expenses increased by \$415,357 or 16% primarily due to nonrecurring street maintenance expenses and professional service costs in the current year. Public safety expenses decreased by \$277,864 or 10% from the prior year. The decrease was primarily a result of greater personnel costs and communication service expenses in the prior year. General government expenses decreased by \$397,645 or 36% primarily due to nonrecurring worker's compensation and liability insurance expenses in the prior year. Interest and fiscal charges decreased by \$7,762 or 19% primarily due to nonrecurring bond 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, 2022, charges for services by business-type activities totaled \$5,665,189. This is an increase of \$924,610, or 20% 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 \$304,583 or 8%, due to increased personnel and supply costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$5,550,920. Of this, \$15,978 is considered nonspendable. The unassigned fund balance totaled \$5,534,942 as of yearend. The general fund balance increased \$494,613 primarily as a result of greater than anticipated revenues and less than anticipated expenditures.

City of Parker, Texas

Management's Discussion and Analysis (Continued)

September 30, 2022

As of September 30, 2022, the debt service fund reflected a fund balance of \$260,580, a slight increase of \$13,322 from the prior year. The fund experienced an increase primarily due to property tax revenues exceeding debt service expenditures.

As of September 30, 2022, the nonmajor governmental funds reflected a total fund balance of \$2,659,630, an increase of \$1,193,635. The increase was primarily a result of transfers received from other funds for the different purposes of the special revenue funds.

There was an increase in governmental fund balance of \$1,701,570 from the prior year. The increase was primarily a result of current year revenue increases in property, sales, and franchise tax; as well as a decrease in general government and public safety expense.

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 \$615,765 in the general fund. This was primarily the result of positive revenue and expenditure variance totaling \$180,014 and \$385,751, respectively. All expenditures were less than final budgeted appropriations, with the exception of principal retirement, interest and fiscal charges, and transfers in.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$32,207,815 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 \$23,387,167 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 \$918,652 for streets improvements.
- Developer contributions received totaling \$885,480 for water system improvements.
- Central lift station improvements totaling \$1,130,873.

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 and certificates of obligation outstanding, in the amount of \$7,890,086. During the year, principal payments totaling \$675,000 were made, as required. More detailed information about the City's long-term liabilities is presented in note IV. E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

City of Parker, Texas

Management's Discussion and Analysis (Continued)

September 30, 2022

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.

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FINANCIAL STATEMENTS

City of Parker, Texas
Statement of Net Position (Page 1 of 2)
September 30, 2022

Primary Government				
	Governmental Activities	Business-Type Activities		Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,317,202	\$ 3,553,289	\$ 10,870,491	
Investments	2,589,049	-	2,589,049	
Receivables, (net)	183,375	662,122	845,497	
Restricted assets:				
Cash and cash equivalents	-	3,741,038	3,741,038	
Prepaid expenses	28,074	299	28,373	
	Total Current Assets	10,117,700	7,956,748	18,074,448
Capital and right to use assets:				
Non depreciable capital assets	920,660	6,464,011	7,384,671	
Net depreciable capital assets	31,206,764	16,923,156	48,129,920	
Net right to use assets	80,391	-	80,391	
	Total Capital and Right to Use Assets	32,207,815	23,387,167	55,594,982
Grant receivable	-	429,683	429,683	
	Total Noncurrent Assets	32,207,815	23,816,850	56,024,665
	Total Assets	42,325,515	31,773,598	74,099,113
Deferred Outflows of Resources				
Deferred outflows - pension	201,186	64,614	265,800	
Deferred outflows - OPEB	13,097	4,206	17,303	
Deferred charges on refunding	7,447	6,706	14,153	
	Total Deferred Outflows of Resources	\$ 221,730	\$ 75,526	\$ 297,256

See Notes to Financial Statements.

City of Parker, Texas
Statement of Net Position (Page 2 of 2)
As of September 30, 2022

Primary Government								
	Governmental Activities	Business-Type Activities	Total					
Liabilities								
Current liabilities:								
Accounts payable	\$ 120,253	\$ 218,375	\$ 338,628					
Accrued liabilities and other payables	45,864	-	45,864					
Unearned revenue	1,340,643	-	1,340,643					
Customer deposits	76,000	36,903	112,903					
Accrued interest payable	5,553	36,772	42,325					
Payable to Collin County	-	238,856	238,856					
Due within one year:								
Leases payable	33,642	-	33,642					
Bonds and notes payable	390,282	299,720	690,002					
Accrued compensated absences	99,912	23,542	123,454					
Total Current Liabilities	2,112,149	854,168	2,966,317					
Noncurrent liabilities:								
Due in more than one year:								
Leases payable	41,671	-	41,671					
Bonds and notes payable	943,666	6,713,679	7,657,345					
Net pension liability	520,649	167,212	687,861					
Total OPEB liability	68,655	22,049	90,704					
Total Noncurrent Liabilities	1,574,641	6,902,940	8,477,581					
Total Liabilities	3,686,790	7,757,108	11,443,898					
Deferred Inflows of Resources								
Deferred inflows - pension	184,028	59,103	243,131					
Deferred inflows - OPEB	11,418	3,667	15,085					
Total Deferred Inflows of Resources	195,446	62,770	258,216					
Net Position								
Net investment in capital assets	30,806,001	17,098,171	47,904,172					
Restricted for:								
Parks and recreation	16,383	-	16,383					
Debt service	260,580	-	260,580					
Capital projects	841,942	1,871,001	2,712,943					
Public safety	202,407	-	202,407					
Unrestricted	6,537,696	5,060,074	11,597,770					
Total Net Position	\$ 38,665,009	\$ 24,029,246	\$ 62,694,255					

See Notes to Financial Statements.

City of Parker, Texas

Statement of Activities

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 699,102	\$ 378,153	\$ 46,161	\$ -	
Public safety	2,521,512	173,385	13,930	16,592	
Public works	3,052,147	-	-	918,652	
Culture and recreation	16,253	-	15,000	-	
Interest and fiscal charges	33,784	-	-	-	
Total Governmental Activities	6,322,798	551,538	75,091	935,244	
Business-Type Activities:					
Water, sewer, & sanitation	4,324,024	5,665,189	-	885,480	
Total Business-Type Activities	4,324,024	5,665,189	-	885,480	
Total Primary Government	\$ 10,646,822	\$ 6,216,727	\$ 75,091	\$ 1,820,724	

General Revenues:

Property taxes

Sales and use taxes

Franchise and local taxes

Investment income

Other revenues

Transfers in (out)

Total General Revenues, Transfers, and Extraordinary Items Change in Net Position

Net Position - Beginning, as Restated

Net Position - Ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (274,788)		\$ (274,788)
(2,317,605)		(2,317,605)
(2,133,495)		(2,133,495)
(1,253)		(1,253)
(33,784)		(33,784)
<u>(4,760,925)</u>		<u>(4,760,925)</u>
-	\$ 2,226,645	2,226,645
	<u>2,226,645</u>	<u>2,226,645</u>
<u>(4,760,925)</u>	<u>2,226,645</u>	<u>(2,534,280)</u>
4,502,968	-	4,502,968
410,537	-	410,537
338,312	-	338,312
36,374	48,186	84,560
57,737	739	58,476
80,000	(80,000)	-
<u>5,425,928</u>	<u>(31,075)</u>	<u>5,394,853</u>
<u>665,003</u>	<u>2,195,570</u>	<u>2,860,573</u>
<u>38,000,006</u>	<u>21,833,676</u>	<u>59,833,682</u>
<u>\$ 38,665,009</u>	<u>\$ 24,029,246</u>	<u>\$ 62,694,255</u>

City of Parker, Texas
Balance Sheet - Governmental Funds
As of September 30, 2022

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,350,241	\$ 260,580	\$ 2,706,381	\$ 7,317,202
Investments	2,520,677	-	68,372	2,589,049
Receivables, net:				
Property taxes	19,623	3,162	-	22,785
Sales taxes	60,822	-	-	60,822
Court	41,025	-	-	41,025
Other	58,743	-	-	58,743
Prepaid items	15,978	-	12,096	28,074
Total Assets	7,067,109	263,742	2,786,849	10,117,700
Liabilities				
Accounts payable	110,124	-	10,129	120,253
Accrued liabilities and other payables	45,864	-	-	45,864
Customer deposits	76,000	-	-	76,000
Unearned revenue	1,223,553	-	117,090	1,340,643
Total Liabilities	1,455,541	-	127,219	1,582,760
Deferred Inflows of Resources				
Unavailable revenue - property taxes	19,623	3,162	-	22,785
Unavailable revenue - fines	41,025	-	-	41,025
Total Deferred Inflows of Resources	60,648	3,162	-	63,810
Fund Balances				
Nonspendable	15,978	-	12,096	28,074
Restricted for:				
Parks and recreation	-	-	16,383	16,383
Debt service	-	260,580	-	260,580
Capital projects	-	-	841,942	841,942
Public safety	-		202,407	202,407
Committed for:				
Capital improvements	-	-	1,586,802	1,586,802
Unassigned	5,534,942	-	-	5,534,942
Total Fund Balances	5,550,920	260,580	2,659,630	8,471,130
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	\$ 7,067,109	\$ 263,742	\$ 2,786,849	\$ 10,117,700

See Notes to Financial Statements.

City of Parker, Texas
*Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position*
 September 30, 2022

Fund Balances - Total Governmental Funds \$ 8,471,130

Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:

Capital and right to use assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. 32,207,815

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

Property taxes receivables	22,785
Fines receivable	41,025

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

Pension amounts	17,158
OPEB amounts	1,679
Deferred charges on bond refunding	7,447

Some liabilities, including interest, bonds payable, leases payable, and net pension and total OPEB liabilities, are not reported as liabilities in the governmental funds.

Accrued interest	(5,553)
Accrued compensated absences	(99,912)
Non-current debt/leases payable due in one year	(423,924)
Non-current debt/leases payable due in more than one year	(985,337)
Net pension and total OPEB liability	(589,304)

Net Position of Governmental Activities - Statement of Net Position \$ 38,665,009

See Notes to Financial Statements.

City of Parker, Texas
*Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Governmental Funds*
 For the Year Ended September 30, 2022

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 4,144,541	\$ 432,589	\$ -	\$ 4,577,130
Sales and mixed beverage taxes	410,537	-	-	410,537
Franchise and local taxes	338,312	-	-	338,312
Licenses and permits	378,153	-	-	378,153
Contributions and donations	500	-	28,430	28,930
Grants	62,753	-	-	62,753
Fines and forfeitures	117,517	-	14,843	132,360
Investment income	36,084	-	290	36,374
Other revenue	41,040	-	16,697	57,737
Total Revenues	5,529,437	432,589	60,260	6,022,286
Expenditures				
Current operating:				
General government	625,372	-	5,653	631,025
Police department	1,199,786	-	-	1,199,786
Municipal court	104,874	-	3,755	108,629
Fire department	857,244	-	-	857,244
Building and code enforcement	214,907	-	-	214,907
Public works	322,484	-	-	322,484
City property	469,061	-	-	469,061
Culture and recreation	-	-	5,635	5,635
Debt Service:				
Principal retirement	27,283	379,895	1,681	408,859
Interest and fiscal charges	317	39,372	681	40,370
Capital outlay	10,996	-	198,034	209,030
Total Expenditures	3,832,324	419,267	215,439	4,467,030
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,697,113	13,322	(155,179)	1,555,256
Other Financing Sources (Uses)				
Transfers in	50,000	-	1,282,500	1,332,500
Transfers out	(1,252,500)	-	-	(1,252,500)
Proceeds from sale of assets	-	-	11,815	11,815
Proceeds from leased assets	-	-	54,499	54,499
Total Other Financing Sources (Uses)	(1,202,500)	-	1,348,814	146,314
Net Change in Fund Balances	494,613	13,322	1,193,635	1,701,570
Fund Balances - Beginning	5,056,307	247,258	1,465,995	6,769,560
Fund Balances - Ending	\$ 5,550,920	\$ 260,580	\$ 2,659,630	\$ 8,471,130

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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 1,701,570
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Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	209,030
Depreciation and amortization expense	(2,519,113)
Capital contributions	918,652

Revenues in the SOA that do not provide current financial resources are not reported as revenues in the governmental funds.

(33,137)

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 premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

Net changes in bonds and leases	350,150
Proceeds from leases	(54,499)
Net changes in debt premium/discount	8,016
Net changes in deferred charges on refunding	(1,430)

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 the governmental funds.

Compensated absences	(8,642)
Pension and OPEB expense	94,406

Net Position of Governmental Activities - Statement of Activities	<hr/> <hr/> \$ 665,003
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See Notes to Financial Statements.

City of Parker, Texas

Statement of Net Position

Proprietary Funds

September 30, 2022

	Water & Sewer Fund	Nonmajor Sanitation Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,462,225	\$ 91,064	\$ 3,553,289
Receivables, net	614,197	47,925	662,122
Prepaid expenses	299	-	299
Restricted assets:			
Cash and cash equivalents	3,741,038	-	3,741,038
Total Current Assets	7,817,759	138,989	7,956,748
Noncurrent assets:			
Capital Assets			
Land	323,666	-	323,666
Construction in progress	6,140,345	-	6,140,345
Water system	23,535,911	-	23,535,911
Sewer system	216,655	-	216,655
Vehicles and equipment	162,131	-	162,131
Accumulated depreciation	(6,991,541)	-	(6,991,541)
Grant receivable	429,683	-	429,683
Total Noncurrent Assets	23,816,850	-	23,816,850
Total Assets	31,634,609	138,989	31,773,598
Deferred Outflows of Resources			
Deferred charges on bond refunding	6,706	-	6,706
Deferred outflows - pension	64,614	-	64,614
Deferred outflows - OPEB	4,206	-	4,206
Total Deferred Outflows of Resources	\$ 75,526	\$ -	\$ 75,526
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	\$ 180,209	\$ 38,166	\$ 218,375
Accrued interest payable	36,772	-	36,772
Utility customer deposits	36,903	-	36,903
Payable to Collin County	238,856	-	238,856
General obligation bonds payable - current	299,720	-	299,720
Compensated absences payable	23,542	-	23,542
Total Current Liabilities	816,002	38,166	854,168
Noncurrent Liabilities			
General obligation bonds payable	6,713,679	-	6,713,679
Net pension liability	167,212	-	167,212
Total OPEB liability	22,049	-	22,049
Total Noncurrent Liabilities	6,902,940	-	6,902,940
Total Liabilities	7,718,942	38,166	7,757,108
Deferred Inflows of Resources			
Deferred inflows - pension	59,103	-	59,103
Deferred inflows - OPEB	3,667	-	3,667
Total Deferred Inflows of Resources	62,770	-	62,770
Net Position			
Net investment in capital assets	17,098,171	-	17,098,171
Restriction for capital projects	1,871,001	-	1,871,001
Unrestricted	4,959,251	100,823	5,060,074
Total Net Position	\$ 23,928,423	\$ 100,823	\$ 24,029,246

See Notes to Financial Statements.

City of Parker, Texas

*Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Funds*
For the Year Ended September 30, 2022

	Water & Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues			
Charges for sales and services:			
Water sales	\$ 4,574,099	\$ -	\$ 4,574,099
Sewer charges	419,285	-	419,285
Garbage collection	-	485,427	485,427
Meter installations	117,500	-	117,500
Other revenue	68,878	-	68,878
Total Operating Revenues	5,179,762	485,427	5,665,189
Operating Expenses			
Personnel services	647,173	-	647,173
Purchased water	1,810,117	-	1,810,117
Cost of sanitation	-	441,275	441,275
Wastewater treatment	278,977	-	278,977
Other purchased services	175,185	-	175,185
Supplies and maintenance	130,018	-	130,018
Depreciation	612,352	-	612,352
Total Operating Expenses	3,653,822	441,275	4,095,097
Operating Income (Loss)	1,525,940	44,152	1,570,092
Non-Operating Revenues (Expenses)			
Interest revenue	48,186	-	48,186
Intergovernmental	739	-	739
Interest and fiscal charges	(228,927)	-	(228,927)
Total Non-Operating Revenues (Expenses)	(180,002)	-	(180,002)
Income (Loss) Before Transfers	1,345,938	44,152	1,390,090
Capital contributions	885,480	-	885,480
Transfers out	(55,000)	(25,000)	(80,000)
Changes in Net Position	2,176,418	19,152	2,195,570
Net Position - Beginning	21,752,005	81,671	21,833,676
Net Position - Ending	\$ 23,928,423	\$ 100,823	\$ 24,029,246

See Notes to Financial Statements.

City of Parker, Texas

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2022

	Water & Sewer Fund	Nonmajor Sanitation Fund	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 5,216,590	\$ 480,512	\$ 5,697,102
Cash payments to other suppliers and employees	(3,411,051)	(438,095)	(3,849,146)
Net Cash Provided (Used) by Operating Activities	<u>1,805,539</u>	<u>42,417</u>	<u>1,847,956</u>
Cash Flows from Non-capital Financing Activities			
Short term borrowing between funds	(993,786)	-	(993,786)
Transfers out to other funds	(55,000)	(25,000)	(80,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(1,048,786)</u>	<u>(25,000)</u>	<u>(1,073,786)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(1,247,258)	-	(1,247,258)
Intergovernmental revenues	739	-	739
Principal paid on debt	(295,105)	-	(295,105)
Interest paid on debt	(258,807)	-	(258,807)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,800,431)</u>	<u>-</u>	<u>(1,800,431)</u>
Cash Flows from Investing Activities			
Interest and dividends on investments	48,186	-	48,186
Net Cash Provided (Used) by Investing Activities	<u>48,186</u>	<u>-</u>	<u>48,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Year	(995,492)	17,417	(978,075)
Cash and Cash Equivalents at End of Year	8,198,755	73,647	8,272,402
	<u>\$ 7,203,263</u>	<u>\$ 91,064</u>	<u>\$ 7,294,327</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,525,940	\$ 44,152	\$ 1,570,092
Provided (used) by operating activities:			
Depreciation	612,352	-	612,352
Change in Assets and Liabilities:			
Decrease (increase) in receivables	(75)	(4,915)	(4,990)
Decrease (increase) in pension and OPEB related deferred outflows	(770)	-	(770)
Decrease (increase) in prepaid expenses	7,469	-	7,469
Increase (decrease) in accounts payable	(382,963)	3,180	(379,783)
Increase (decrease) in utility customer deposits	36,903	-	36,903
Increase (decrease) in compensated absences	5,022	-	5,022
Increase (decrease) in total OPEB obligation	4,667	-	4,667
Increase (decrease) in net pension obligation	(41,607)	-	(41,607)
Increase (decrease) in pension and OPEB related deferred inflows	38,601	-	38,601
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,805,539</u>	<u>\$ 42,417</u>	<u>\$ 1,847,956</u>
Noncash Capital and Related Financing Activities:			
Contributions of capital assets	\$ 885,480	\$ -	\$ 885,480
Premium amortization	1,288	-	1,288

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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 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 the Financial Statements

September 30, 2022

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 rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following governmental funds:

Governmental Funds

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

General Fund

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

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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 the City Council, and it is financially accountable to the City.

Special Revenue Funds

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

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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 and non-major enterprise funds:

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 (non-major)

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 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.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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.

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."

City of Parker, Texas

Notes to the Financial Statements

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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) and are recognized as expenditures when utilized.

6. Capital Assets

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

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

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

City of Parker, Texas

Notes to the Financial Statements

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

City of Parker, Texas

Notes to the Financial Statements

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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.

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.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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 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.

13. Leases – Lessor

The City is a lessee for noncancelable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

14. 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.

15. 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 plan (SDBP), with retiree coverage. The TMRS SDBP 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 SDBP is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBP is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan.

City of Parker, Texas

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September 30, 2022

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 non-employer contributing entities to employees for defined 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.

16. 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.

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.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Days)	Credit Rating
Certificates of deposit	\$ 2,589,049	0	N/A
External investment pools			
TexSTAR	10,121,452	16	AAAm
<u>Total value</u>	<u>\$ 12,710,501</u>		

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, 2022, the City's investment in TexSTAR was rated AAAm by Standard & Poor's.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2022, the market values of pledged securities and FDIC exceeded bank balances.

City of Parker, Texas

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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 lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

C. Receivables

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

	Water &					
	General	Debt Service	Sewer	Sanitation	Total	
Property taxes	\$ 19,623	\$ 3,162	\$ -	\$ -	\$ 22,785	
Sales tax	60,822	-	-	-	60,822	
Franchise tax	57,760	-	-	-	57,760	
Court	82,050	-	-	-	82,050	
Accounts	-	-	655,591	52,926	708,517	
Grants	-	-	429,683	-	429,683	
Other	983	-	-	-	983	
Allowance	(41,025)	-	(41,394)	(5,001)	(87,420)	
	<u>\$ 180,213</u>	<u>\$ 3,162</u>	<u>\$ 1,043,880</u>	<u>\$ 47,925</u>	<u>\$ 1,275,180</u>	

D. Capital Assets

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

	Beginning Balances		Decreases/ Reclassifications		Ending Balances
Capital assets, not being depreciated:					
Land	\$ 843,484	\$ -	\$ -	\$ -	\$ 843,484
Construction in progress	58,337	18,839	-	-	77,176
Total capital assets not being depreciated	<u>901,821</u>	<u>18,839</u>	<u>-</u>	<u>-</u>	<u>920,660</u>
Capital assets, being depreciated/amortized:					
Land improvements	212,367	-	-	-	212,367
Buildings and improvements	2,616,328	-	-	-	2,616,328
Vehicles and equipment	4,443,915	112,928	(925,136)	3,631,707	
Infrastructure	52,266,733	941,416	-	53,208,149	
Right-to-use leased assets	-	277,247	-	277,247	
Total capital assets, being depreciated/amortized	<u>59,539,343</u>	<u>1,331,591</u>	<u>(925,136)</u>	<u>59,945,798</u>	
Less accumulated depreciation/amortization:					
Land improvements	(103,272)	(10,618)	-	(113,890)	
Buildings and improvements	(974,038)	(61,183)	-	(1,035,221)	
Vehicles and equipment	(2,817,752)	(418,153)	694,418	(2,541,487)	
Infrastructure	(22,731,915)	(2,039,274)	-	(24,771,189)	
Right-to-use leased assets	-	(196,856)	-	(196,856)	
Total accumulated depreciation/amortization	<u>(26,626,977)</u>	<u>(2,726,084)</u>	<u>694,418</u>	<u>(28,658,643)</u>	
Net capital assets being depreciated/amortized	<u>32,912,366</u>	<u>(1,394,493)</u>	<u>(230,718)</u>	<u>31,287,155</u>	
Governmental Capital Assets	<u><u>\$ 33,814,187</u></u>	<u><u>\$ (1,375,654)</u></u>	<u><u>\$ (230,718)</u></u>	<u><u>\$ 32,207,815</u></u>	

City of Parker, Texas

Notes to the Financial Statements

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Depreciation/amortization expense was charged to governmental functions as follows:

General government	\$ 77,291
Public safety	576,637
Public works	2,061,538
Parks and recreation	10,618
Total governmental activities depreciation/amortization expense	<u>\$ 2,726,084</u>

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	4,992,608	1,147,737	-	6,140,345
Total capital assets not being depreciated	<u>5,316,274</u>	<u>1,147,737</u>	<u>-</u>	<u>6,464,011</u>
Capital assets, being depreciated:				
Water and sewer system	22,774,416	978,150	-	23,752,566
Vehicles and equipment	238,274	6,837	(82,980)	162,131
Total capital assets being depreciated	<u>23,012,690</u>	<u>984,987</u>	<u>(82,980)</u>	<u>23,914,697</u>
Less accumulated depreciation				
Water and sewer system	(6,222,958)	(608,834)	-	(6,831,792)
Vehicles and equipment	(239,211)	(3,518)	82,980	(159,749)
Total accumulated depreciation	<u>(6,462,169)</u>	<u>(612,352)</u>	<u>82,980</u>	<u>(6,991,541)</u>
Net capital assets being depreciated	<u>16,550,521</u>	<u>372,635</u>	<u>-</u>	<u>16,923,156</u>
Total Capital Assets	<u>\$ 21,866,795</u>	<u>\$ 1,520,372</u>	<u>\$ -</u>	<u>\$ 23,387,167</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 606,936
Sewer	5,416
Total Business-Type Activities Depreciation Expense	<u>\$ 612,352</u>

City of Parker, Texas

Notes to the Financial Statements

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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.

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Refunding Bonds	\$ 1,042,091	\$ -	\$ (224,895)	\$ 817,196	\$ 235,282
Premium	49,768	-	(8,016)	41,752	-
Certificate of Obligation	630,000	-	(155,000)	475,000	155,000
Total Bonds Payable	<u>1,721,859</u>	<u>-</u>	<u>(387,911)</u>	<u>1,333,948</u>	<u>390,282</u>
Right-to-use lease liability	-	104,831	(29,518)	75,313	33,642
Net pension liability	761,514	-	(240,865)	520,649	-
Total OPEB liability	63,388	5,267	-	68,655	-
Compensated absences	91,270	99,912	(91,270)	99,912	-
Total Governmental Activities	<u>\$ 2,638,031</u>	<u>\$ 210,010</u>	<u>\$ (749,564)</u>	<u>\$ 2,098,477</u>	<u>\$ 423,924</u>
Business-Type Activities:					
Bonds payable:					
General Obligation Refunding Bonds	\$ 972,995	\$ -	\$ (210,105)	\$ 762,890	\$ 219,720
Combination Tax and Revenue Bonds	5,920,000	-	(85,000)	5,835,000	80,000
Premium	446,691	-	(31,182)	415,509	-
Total Bonds Payable	<u>7,339,686</u>	<u>-</u>	<u>(326,287)</u>	<u>7,013,399</u>	<u>299,720</u>
Net pension liability	208,819	-	(41,607)	167,212	-
Total OPEB liability	17,382	4,667	-	22,049	-
Compensated absences	18,520	23,542	(18,520)	23,542	-
Total Business-Type Activities	<u>\$ 7,584,407</u>	<u>\$ 28,209.00</u>	<u>\$ (386,414)</u>	<u>\$ 7,226,202</u>	<u>\$ 299,720</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 the Financial Statements

September 30, 2022

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

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities			
2015 Certificate of Obligation (100%)	2.09%	\$ 1,485,000	\$ 475,000
2019 General Obligation Refunding Bonds (52%)	3.00%	1,285,000	817,196
Total Governmental Activities	2,770,000	1,292,196	
Business-Type Activities			
2018 Combination Tax & Revenue Bonds (100%)	3.00 - 4.00%	6,075,000	5,835,000
2019 General Obligation Refunding Bonds (48%)	3.00%	1,200,000	762,890
Total Business-type Activities	7,275,000	6,597,890	
Total Long-Term Debt			
2015 Certificate of Obligation (100%)	2.09%	1,485,000	475,000
2018 Combination Tax & Revenue Bonds (100%)	3.00 - 4.00%	6,075,000	5,835,000
2019 General Obligation Refunding Bonds (100%)	3.00%	2,485,000	1,580,086
Total	\$ 10,045,000	\$ 7,890,086	

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

Year ending September 30,	Governmental Activities		2019 General Obligation Bonds		2015 Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
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	100,928	1,513	-	-		
Total	\$ 817,196	\$ 60,345	\$ 475,000	\$ 14,996		

The City issued the 2015 Certificate of Obligation bond on August 20, 2015, in the original principal amount of \$1,485,000. Payments are due in annual installments, with a maturity date of February 15, 2025. These certificates bear an interest rate of 2.09%, payable on February 15 and August 15.

The City issued the 2019 General Obligation Refunding Bonds on December 17, 2019, in the original principal amount of \$2,485,000. Payments are due in annual installments, with a maturity date of February 15, 2028. These bonds bear an interest rate of 3.0%, payable on February 15 and August 15. The governmental portion is approximately 52%, or \$1,285,000.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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

Year ending September 30,	Business-Type Activities			
	2019 General Obligation Bonds	2018 Certificates of Obligation		
2023	\$ 219,720	\$ 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
2028-2032	94,074	1,412	1,895,000	801,900
2033-2037	-	-	2,440,000	361,800
2038	-	-	550,000	11,000
Total	\$ 762,890	\$ 56,355	\$ 5,835,000	\$ 2,260,750

The City issued the 2018 Combination Tax and Revenue bonds on August 21, 2018, in the original principal amount of \$6,075,000. Payments are due in annual installments, with a maturity date of February 15, 2038. These certificates bear an interest rate of 3.00-4.00%, payable on February 15 and August 15.

The City issued the 2019 General Obligation Refunding Bonds on December 17, 2019, in the original principal amount of \$2,485,000. Payments are due in annual installments, with a maturity date of February 15, 2028. These bonds bear an interest rate of 3.0%, payable on February 15 and August 15. The business type activities portion is approximately 48%, or \$1,200,000.

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.

Right-to-Use Lease Liability

The City has entered into two lease agreements as the lessee. The leases allow the right-to-use a building and a vehicle over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

The lease rate, term, and ending lease liability are as follows:

Description	Interest Rates	Liability at		Lease Term	
		Commencement	in Years	Ending Balance	
Governmental Activities					
Leased police building	0.84%	\$ 187,697	7.0	\$ 23,050	
Leased Chevy Tahoe	1.55%	54,499	5.0	52,263	
		Total Governmental Activities		\$ 75,313	

The future principal and interest lease payments as of fiscal year end are as follows:

Year ending September 30,	Principal	Interest	Total
2023	\$ 33,642	\$ 832	\$ 34,474
2024	10,757	577	11,334
2025	10,925	409	11,334
2026	11,096	239	11,335
2027	8,893	67	8,960
Total	\$ 75,313	\$ 2,124	\$ 77,437

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 Texas Department of Transportation (TX DOT) if TX DOT approves reimbursement of this project. As of September 30, 2022, 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, 2022 the City had a receivable for this grant of \$429,683 from TX DOT.

F. 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 \$7,447 and \$6,706, respectively. Current year amortization expense for governmental and business-type activities totaled \$1,430 and \$1,288, respectively.

G. Customer Deposits

The City had customer deposits of \$76,000 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. The City also had water meter deposits of \$36,903 payable in the Water and Sewer Fund at year end.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

H. Interfund Transactions

The summary of interfund transfers for the year ended September 30, 2022 was as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Water & Sewer Fund	General Fund	\$ 25,000
Sanitation Fund	General Fund	25,000
Water & Sewer Fund	Technology Replacement Fund	5,000
Water & Sewer Fund	Equipment Replacement Fund	<u>25,000</u>
	Total	\$ 80,000

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 Revenue Service at least every five years for applicable bond issues.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

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. Pension and OPEB Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Parker participates as one of 901 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 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. Plan provisions for the City were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>
Employee deposit rate	6%	6%
Matching ratio (city to employer)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

Employees Covered by Benefit Terms:

At the December 31, 2021 and 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	14	13
Inactive employees entitled to but not yet receiving benefits	16	15
Active employees	26	24
Total	56	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 13.31% and 13.73% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$272,889, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%, net pension plan investment expense, including inflation

Salary increases were based on a service-related table. The retirement age is based on the experience-based table of rates that are specific to the City's plan of benefits. It was last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. Mortality rates for post-retirement are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

The pre-retirement members is based on the 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.

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 Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and 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 of 2.5%.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	<u>100.0%</u>	

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 the Financial Statements

September 30, 2022

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
\$1,318,433	\$687,861	\$162,518

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/20	\$ 4,598,990	\$ 3,628,657	\$ 970,333
Changes for the year:			
Service Cost	257,639	-	257,639
Interest	311,777	-	311,777
Difference between expected and actual experience	(37,249)	-	(37,249)
Changes of assumptions	-	-	-
Contributions - employer	-	236,706	(236,706)
Contributions - employee	-	107,349	(107,349)
Net investment income	-	472,758	(472,758)
Benefit payments, including refunds or emp. contributions	(217,794)	(217,794)	-
Administrative expense	-	(2,189)	2,189
Other changes	-	15	(15)
Net changes	314,373	596,845	(282,472)
Balance at 12/31/21	\$ 4,913,363	\$ 4,225,502	\$ 687,861

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.tmrss.com.

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

For the year ended September 30, 2022, the City recognized pension expense of \$170,901.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

At September 30, 2022, the City reported deferred outflows and inflows of resources related to TMRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 57,316	\$ -
Changes in actuarial assumptions	4,898	-
Difference between projected and investment earnings	-	(243,131)
Contributions subsequent to the measurement date	203,586	-
Total	\$ 265,800	\$ (243,131)

The City reported \$203,586 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. 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:	Deferred Outflow (Inflow) of Resources
2022	\$ (17,079)
2023	(73,263)
2024	(38,359)
2025	(52,216)
2026	-
Thereafter	-
Total	\$ (180,917)

Other Postemployment Benefits (OPEB)

1. Plan Description

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 (SDBP). 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 SDBP by adopting an ordinance before November 1 of any year to be effective the following January 1.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

2. Benefits Provided

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

The City offers supplemental death to:	Plan Year 2021	Plan Year 2020
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBP 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 SDBP 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, 2021 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	4
Active employees	26
Total	40

3. Contributions

The City's contributions to the TMRS SDBP for the years ended 2022, 2021, and 2020 were \$1,603, \$1,108, and \$332, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2020	0.02%	0.02%	100.00%
2021	0.08%	0.08%	100.00%
2022	0.08%	0.08%	100.00%

4. Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 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	1.84%
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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
\$ 111,657	\$ 90,704	\$ 74,603

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/20	\$ 80,769
Changes for the year:	
Service Cost	4,831
Interest	1,649
Difference between expected and actual experience	2,010
Changes in assumptions	2,876
Benefit payments	(1,431)
Net changes	9,935
Balance at 12/31/21	\$ 90,704

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$10,076. At September 30, 2022, 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 actuarial assumptions	\$ 16,117	\$ -
Difference between projected and investment earnings	-	(15,085)
Contributions subsequent to the measurement date	1,186	-
Total	\$ 17,303	\$ (15,085)

The City reported \$1,186 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 total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

Year ended December 31:	Deferred Outflow (Inflow) of Resources
2022	\$ 3,596
2023	3,533
2024	1,402
2025	(9,604)
2026	1,389
Thereafter	716
Total	\$ 1,032

City of Parker, Texas

Notes to the Financial Statements

September 30, 2022

E. Deferred Compensation Plan

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

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The City's deferred compensation plan is administered by a private corporation under contract with the City. Total participant contributions were approximately \$14,040 for the year ended September 30, 2022. The City does not contribute to the plan.

F. Prior Period Adjustment

During the audit, a prior period adjustment was detected related to the disposal of a fire truck in a prior year. The effect on net position is shown below:

	Governmental Activities
Beginning balances as previously reported	\$ 38,206,016
Prior period adjustment	<u>(206,010)</u>
Restated beginning balances	<u><u>\$ 38,000,006</u></u>

G. Subsequent Events

There were no material subsequent events through March 7, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Parker, Texas

Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Property	\$ 4,088,126	\$ 4,088,126	\$ 4,144,541	\$ 56,415
Sales and mixed beverage taxes	302,897	302,897	410,537	107,640
Franchise and local taxes	265,000	265,000	338,312	73,312
Licenses and permits	450,000	450,000	378,153	(71,847)
Contributions and donations	-	-	500	500
Grants	1,200	1,200	62,753	61,553
Fines and forfeitures	220,000	220,000	117,517	(102,483)
Investment income	17,200	17,200	36,084	18,884
Other revenue	5,000	5,000	41,040	36,040
Total Revenues	5,349,423	5,349,423	5,529,437	180,014
Expenditures				
Current operating:				
General government	610,793	678,346	625,372	52,974
Police department	1,359,029	1,359,029	1,199,786	159,243
Municipal court	198,217	198,217	104,874	93,343
Fire department	903,447	903,447	857,244	46,203
Building and code enforcement	222,938	222,938	214,907	8,031
Public works	331,798	332,998	322,484	10,514
City property	484,400	517,800	469,061	48,739
Debt Service:				
Principal retirement	-	-	27,283	(27,283)
Interest and fiscal charges	-	-	317	(317)
Capital outlay	6,500	5,300	10,996	(5,696)
Total Expenditures	4,117,122	4,218,075	3,832,324	385,751
Excess of Revenues Over (Under) Expenditures				
	1,232,301	1,131,348	1,697,113	565,765
Other Financing Sources (Uses)				
Transfers in	-	-	50,000	50,000
Transfers out	(1,252,500)	(1,252,500)	(1,252,500)	-
Total Other Financing Sources (Uses)	(1,252,500)	(1,252,500)	(1,202,500)	50,000
Net Change in Fund Balances	(20,199)	(121,152)	494,613	\$ 615,765
Fund Balances, Beginning	5,056,307	5,056,307	5,056,307	
Fund Balances, Ending	\$ 5,036,108	\$ 4,935,155	\$ 5,550,920	

City of Parker, Texas

Schedule of Changes in Net Pension Liability and Related Ratios¹

Texas Municipal Retirement System

Last Ten Measured Years

Measurement Date	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total Pension Liability				
Service Cost	\$ 257,639	\$ 240,809	\$ 232,383	\$ 197,110
Interest	311,777	284,370	263,390	245,536
Change in benefit terms	-	-	28,011	-
Difference between expected and actual experience	(37,249)	97,916	66,461	(478)
Changes of assumptions	-	-	11,930	-
Benefit payments, including refunds of participant contributions	(217,794)	(233,179)	(301,958)	(144,651)
Net change in total pension liability	<u>314,373</u>	<u>389,916</u>	<u>300,217</u>	<u>297,517</u>
Total pension liability, beginning	<u>4,598,990</u>	<u>4,209,074</u>	<u>3,908,857</u>	<u>3,611,340</u>
Total pension liability, ending (a)	<u>\$ 4,913,363</u>	<u>\$ 4,598,990</u>	<u>\$ 4,209,074</u>	<u>\$ 3,908,857</u>
 Plan Fiduciary Net Position				
Contributions - employer	\$ 236,706	\$ 216,779	\$ 199,957	\$ 180,329
Contributions - members	107,349	100,827	98,259	87,800
Net investment income	472,758	249,892	441,645	(84,398)
Benefit payments, including refunds of participant contributions	(217,794)	(233,179)	(301,958)	(144,651)
Administrative expenses	(2,189)	(1,619)	(2,499)	(1,634)
Other	15	(62)	(74)	(87)
Net change in plan fiduciary net position	<u>596,845</u>	<u>332,638</u>	<u>435,330</u>	<u>37,359</u>
 Plan fiduciary net position, beginning	<u>3,628,657</u>	<u>3,296,019</u>	<u>2,860,689</u>	<u>2,823,330</u>
Plan fiduciary net position, ending (b)	<u>\$ 4,225,502</u>	<u>\$ 3,628,657</u>	<u>\$ 3,296,019</u>	<u>\$ 2,860,689</u>
 Net pension liability/(asset) ending = (a) - (b)	<u>\$ 687,861</u>	<u>\$ 970,333</u>	<u>\$ 913,055</u>	<u>\$ 1,048,168</u>
 Plan fiduciary net position as a % of total pension liability	86.00%	78.90%	78.31%	73.18%
Covered payroll	\$ 1,789,157	\$ 1,680,453	\$ 1,637,653	\$ 1,463,325
Net pension liability as a % of covered payroll	38.45%	57.74%	55.75%	71.63%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

	<u>12/31/2017</u>		<u>12/31/2016</u>		<u>12/31/2015</u>		<u>12/31/2014</u>
\$	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		-
	<u>(146,144)</u>		<u>(164,770)</u>		<u>(157,911)</u>		<u>(199,299)</u>
	<u>276,542</u>		<u>265,030</u>		<u>259,246</u>		<u>60,559</u>
	<u>3,334,798</u>		<u>3,069,768</u>		<u>2,810,522</u>		<u>2,749,963</u>
	<u><u>\$ 3,611,340</u></u>		<u><u>\$ 3,334,798</u></u>		<u><u>\$ 3,069,768</u></u>		<u><u>\$ 2,810,522</u></u>
\$	161,326	\$	140,906	\$	132,625	\$	108,296
	79,147		75,483		68,124		63,331
	332,048		148,469		3,182		118,262
	<u>(146,144)</u>		<u>(164,770)</u>		<u>(157,911)</u>		<u>(199,299)</u>
	<u>(1,723)</u>		<u>(1,679)</u>		<u>(1,938)</u>		<u>(1,235)</u>
	<u><u>(87)</u></u>		<u><u>(90)</u></u>		<u><u>(96)</u></u>		<u><u>(102)</u></u>
	<u>424,567</u>		<u>198,319</u>		<u>43,986</u>		<u>89,253</u>
	<u><u>2,398,763</u></u>		<u><u>2,200,444</u></u>		<u><u>2,156,458</u></u>		<u><u>2,067,205</u></u>
	<u><u>\$ 2,823,330</u></u>		<u><u>\$ 2,398,763</u></u>		<u><u>\$ 2,200,444</u></u>		<u><u>\$ 2,156,458</u></u>
	<u><u>\$ 788,010</u></u>		<u><u>\$ 936,035</u></u>		<u><u>\$ 869,324</u></u>		<u><u>\$ 654,064</u></u>
	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 ¹

Texas Municipal Retirement System

Last Ten Fiscal Years

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially determined employer contributions	\$ 272,889	\$ 228,226	\$ 210,992	\$ 200,142
Contributions in relation to the actuarially determined contribution	<u>272,889</u>	<u>228,226</u>	<u>210,992</u>	<u>200,142</u>
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 2,003,463	\$ 1,736,745	\$ 1,659,525	\$ 1,634,800
Employer contributions as a percentage of covered payroll	13.62%	13.14%	12.71%	12.24%

NOTES TO SCHEDULE OF CONTRIBUCTIONS TO PENSION PLAN

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.

Valuation Date:

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	23 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11% 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>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 170,493	\$ 154,623	\$ 134,731	\$ 126,757
<u>170,493</u>	<u>154,623</u>	<u>134,731</u>	<u>126,757</u>
-\$	-\$	-\$	-\$
\$ 1,385,733	\$ 1,293,066	\$ 1,191,182	\$ 1,116,212
12.30%	11.96%	11.31%	11.36%

City of Parker, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios ¹

Texas Municipal Retirement System

Last Ten Measured Years

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Total OPEB liability					
Service Cost	\$ 4,831	\$ 3,697	\$ 4,094	\$ 4,390	\$ 3,430
Interest	1,649	1,939	5,520	1,537	1,432
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	2,010	(4,248)	(98,867)	100,311	-
Changes in assumptions or other inputs	2,876	10,894	11,490	(3,411)	3,479
Benefit payments, including refunds of participant contributions	(1,431)	(335)	(328)	(293)	(264)
Net Change in Total OPEB Liability	<u>9,935</u>	<u>11,947</u>	<u>(78,091)</u>	<u>102,534</u>	<u>8,077</u>
Total OPEB Liability - Beginning	<u>80,769</u>	<u>68,823</u>	<u>146,914</u>	<u>44,380</u>	<u>36,303</u>
Total OPEB Liability - Ending (a)	<u>\$ 90,704</u>	<u>\$ 80,770</u>	<u>\$ 68,823</u>	<u>\$ 146,914</u>	<u>\$ 44,380</u>
Covered Payroll	\$ 1,789,157	\$ 1,680,453	\$ 1,637,653	\$ 1,463,325	\$ 1,319,109
Total OPEB Liability as a Percentage of Covered Payroll	5.07%	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.

OTHER SUPPLEMENTARY INFORMATION

City of Parker, Texas

Combining Balance Sheet

Nonmajor Governmental Funds

As of September 30, 2022

	Capital Street Const. Fund	Capital Drainage Fund	Capital Facilities Fund	Volunteer Fire Dept. Fund
Assets				
Cash and cash equivalents	\$ 959,032	\$ 218,239	\$ 707,083	\$ 56,149
Investments	-	-	-	68,372
Prepays	-	-	-	-
Total Assets	<u>959,032</u>	<u>218,239</u>	<u>707,083</u>	<u>124,521</u>
Liabilities				
Accounts payable	-	-	5,250	-
Unearned revenue	117,090	-	-	-
	<u>117,090</u>	<u>-</u>	<u>5,250</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted for:				
Capital projects	841,942	-	-	-
Public safety	-	-	-	124,521
Parks and recreation	-	-	-	-
Committed:				
Capital projects	-	218,239	701,833	-
Total Fund Balances	<u>841,942</u>	<u>218,239</u>	<u>701,833</u>	<u>124,521</u>
Total Liabilities and Fund Balances	<u>\$ 959,032</u>	<u>\$ 218,239</u>	<u>\$ 707,083</u>	<u>\$ 124,521</u>

Law Enforcement Fund	Equipment Replacement Fund	Court Security Fund	Court Technology Fund	Child Safety Fund	Police Donations Fund
\$ 7,413	\$ 633,532	\$ 49,685	\$ 7,258	\$ 7,128	\$ 8,898
-	-	-	-	-	-
-	12,096	-	-	-	-
7,413	645,628	49,685	7,258	7,128	8,898
<hr/>					
2,496	2,383	-	-	-	-
-	-	-	-	-	-
2,496	2,383	-	-	-	-
<hr/>					
-	12,096	-	-	-	-
-	-	-	-	-	-
4,917	-	49,685	7,258	7,128	8,898
-	-	-	-	-	-
-	631,149	-	-	-	-
4,917	643,245	49,685	7,258	7,128	8,898
\$ 7,413	\$ 645,628	\$ 49,685	\$ 7,258	\$ 7,128	\$ 8,898

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City of Parker, Texas

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

As of September 30, 2022

	Parks Fund	Technology Replacement Fund	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 16,383	\$ 35,581	\$ 2,706,381	
Investments	-	-	68,372	
Prepaids	-	-	12,096	
Total Assets	<u>16,383</u>	<u>35,581</u>	<u>2,786,849</u>	
Liabilities				
Accounts payable	-	-	10,129	
Unearned revenue	-	-	117,090	
	<u>-</u>	<u>-</u>	<u>127,219</u>	
Fund Balances				
Nonspendable	-	-	12,096	
Restricted for:				
Capital projects	-	-	841,942	
Public safety	-	-	202,407	
Parks and recreation	16,383	-	16,383	
Committed:				
Capital projects	-	35,581	1,586,802	
Total Fund Balances	<u>16,383</u>	<u>35,581</u>	<u>2,659,630</u>	
Total Liabilities and Fund Balances	<u>\$ 16,383</u>	<u>\$ 35,581</u>	<u>\$ 2,786,849</u>	

City of Parker, Texas

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended September 30, 2022

	Capital Street Const. Fund	Capital Drainage Fund	Capital Facilities Fund	Volunteer Fire Dept. Fund
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Grants	- -	- -	- -	16,592
Investment income	- -	- -	- -	290
Donations	- -	- -	- -	10,805
Total Revenues	- -	- -	- -	27,687
Expenditures				
Current:				
General government	- -	- -	- -	- -
Public safety	- -	- -	- -	500
Public works	5,635	- -	- -	- -
Capital outlay	- -	22,763	18,839	22,123
Debt service:				
Principal	- -	- -	- -	- -
Interest	- -	- -	- -	- -
Total Expenditures	5,635	22,763	18,839	22,623
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(5,635)	(22,763)	(18,839)	5,064
Other Financing Sources (Uses)				
Transfers in	500,000	100,000	350,000	- -
Transfers out	- -	- -	- -	- -
Proceeds from leased assets	- -	- -	- -	- -
Proceeds from sale of assets	- -	- -	- -	- -
Total Other Financing Sources (Uses)	500,000	100,000	350,000	- -
Net Change in Fund Balances	494,365	77,237	331,161	5,064
Beginning Fund Balances	347,577	141,002	370,672	119,457
Ending Fund Balances	\$ 841,942	\$ 218,239	\$ 701,833	\$ 124,521

Law Enforcement Fund	Equipment Replacement Fund	Court Security Fund	Court Technology Fund	Child Safety Fund	Police Donations Fund
\$ -	\$ -	\$ 4,783	\$ 3,916	\$ 6,144	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,625
-	-	4,783	3,916	6,144	2,625
<hr/>					
-	-	-	-	-	356
-	-	-	3,255	-	-
-	-	-	-	-	-
-	106,190	-	-	8,700	-
-	1,681	-	-	-	-
-	681	-	-	-	-
-	108,552	-	3,255	8,700	356
<hr/>					
-	(108,552)	4,783	661	(2,556)	2,269
<hr/>					
-	275,000	-	-	-	-
-	-	-	-	-	-
-	54,499	-	-	-	-
-	11,815	-	-	-	-
-	341,314	-	-	-	-
<hr/>					
-	232,762	4,783	661	(2,556)	2,269
4,917	410,483	44,902	6,597	9,684	6,629
\$ 4,917	\$ 643,245	\$ 49,685	\$ 7,258	\$ 7,128	\$ 8,898

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City of Parker, Texas
*Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances (Continued)*
Nonmajor Governmental Funds
 For the Year Ended September 30, 2022

	Parks Fund	Technology Replacement Fund	Total Nonmajor Governmental Funds
Revenues			
Fines and forfeitures	\$ -	\$ -	\$ 14,843
Other revenues	105	-	16,697
Investment income	-	-	290
Donations	15,000	-	28,430
Total Revenues	15,105	-	60,260
Expenditures			
Current:			
General government	5,297	-	5,653
Public safety	-	-	3,755
Culture and recreation	-	-	5,635
Capital outlay	-	19,419	198,034
Debt service:			
Principal	-	-	1,681
Interest	-	-	681
Total Expenditures	5,297	19,419	215,439
Excess (Deficiency) of Revenues			
Revenues Over Expenditures	9,808	(19,419)	(155,179)
Other Financing Sources (Uses)			
Transfers in	2,500	55,000	1,282,500
Transfers out	-	-	-
Proceeds from leased assets	-	-	54,499
Proceeds from sale of assets	-	-	11,815
Total Other Financing Sources (Uses)	2,500	55,000	1,348,814
Net Change in Fund Balances	12,308	35,581	1,193,635
Beginning Fund Balances	4,075	-	1,465,995
Ending Fund Balances	\$ 16,383	\$ 35,581	\$ 2,659,630

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***COMPLIANCE AND INTERNAL CONTROL
SECTION***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Parker, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vail + Park, P.C.

Vail & Park, P.C.

Tom Bean, Texas

March 7, 2023