

Final Document
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CITY OF PARKER, TEXAS

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

September 30, 2009

CITY OF PARKER
Annual Financial Report
For the Year Ended September 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the individual fund statements of the City of Parker, Texas for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Parker. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Texas, at September 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the Water and Sewer Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor
and Members of the City Council
Page Two

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

Pingeton, Howard & Company, P.C.

December 10, 2009

Management's Discussion and Analysis

As management of the City of Parker, we offer readers of the City of Parker's financial statements this narrative overview and analysis of the financial activities of the City of Parker for the fiscal year ended September 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Parker exceeded its liabilities at the close of the most recent fiscal year by \$50,735,100 (net assets). Of this amount, \$4,265,184, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$(431,889). This decrease is attributable to the business-type activities.
- As of the close of the current fiscal year, the City of Parker's governmental funds reported combined ending fund balances of \$7,393,527, an increase of \$179,870 in comparison with the prior year. Most of the increase is due to transfers from the water and sewer fund. Of the fund balance, \$2,632,029 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,632,029 or 111 percent of total general fund expenditures.
- The City of Parker's long-term debt decreased by \$537,154 during the current fiscal year. This was due to scheduled principal payments on outstanding debt.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

The City of Parker maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital improvement fund and fire department fund. All three funds are considered to be major funds.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Parker, net assets exceed liabilities by \$50,735,100 at the close of the most recent fiscal year.

A portion of the City of Parker's net assets (82 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Parker uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Parker's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Parker's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$4,265,184 may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF PARKER - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 7,813,733	7,434,177	1,704,748	5,169,615	9,518,481	12,603,792
Capital assets	39,742,007	37,763,301	10,960,282	10,570,177	50,702,289	48,333,478
Total assets	47,555,740	45,197,478	12,665,030	15,739,792	60,220,770	60,937,270
Long-term liabilities	4,721,753	5,029,001	4,319,929	4,549,835	9,041,682	9,578,836
Other liabilities	364,551	136,532	79,437	54,913	443,988	191,445
Total liabilities	5,086,304	5,165,533	4,399,366	4,604,748	9,485,670	9,770,281
Net assets:						
Invested in capital assets, net of						
related debt	35,054,386	32,817,136	6,654,032	9,228,302	41,708,418	42,045,438
Restricted	4,761,498	4,616,738			4,761,498	4,616,738
Unrestricted	2,653,552	2,598,071	1,611,632	1,906,742	4,265,184	4,504,813
Total net assets	\$ 42,469,436	40,031,945	8,265,664	11,135,044	50,735,100	51,166,989

CITY OF PARKER - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 328,832	433,756	1,631,078	1,761,328	1,959,910	2,195,084
Operating grants and						
Contributions	18,021	179,075			18,021	179,075
Capital grants and						
Contributions	698,191	70,070			698,191	70,070
General revenues:						
Property taxes	1,859,822	1,762,214			1,859,822	1,762,214
Other taxes	304,975	320,948			304,975	320,948
Other	234,287	120,594	7,634	53,463	241,921	174,057
Total revenues	3,444,128	2,886,657	1,638,712	1,814,791	5,082,840	4,701,448
Expenses:						
General government activities	3,499,144	3,353,758			3,499,144	3,353,758
Sanitation			185,674	183,150	185,674	183,150
Water & Sewer			1,829,911	1,760,996	1,829,911	1,760,996
Total expenses	3,499,144	3,353,758	2,015,585	1,944,146	5,514,729	5,297,904
Increase/(decrease) in net assets before transfers						
(55,016)	(467,101)	(376,873)	(129,355)	(431,889)	(596,456)	
Transfers in/(out)	2,492,507	3,000	(2,492,507)	(3,000)		
Increase(decrease) in net assets	2,437,491	(464,101)	(2,869,380)	(132,355)	(431,889)	(596,456)
Net assets - 10/01/08 (as restated)	40,031,945	40,496,046	11,135,044	11,267,399	51,166,989	51,763,445
Net Assets - 09/30/09	\$ 42,469,436	40,031,945	8,265,664	11,135,044	50,735,100	51,166,989

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

Governmental Activities:

- Property, sales and franchise taxes increased by a total of \$81,635.
- Expenses increased \$165,386.

Business-type Activities

Business-type activities decreased the City of Parker's net assets by \$(2,869,380).

- Water and sewer charges decreased by \$(155,681).
- Operating expenses increased by \$94,786 over the previous year, with the largest increase being in legal fees.

Financial Analysis of the Government's Funds

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

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

As the end of the current fiscal year, the City of Parker's governmental funds reported combined ending fund balance of \$7,393,527, an increase of \$179,870 from the prior year. Most of the increase is due to transfers from the water and sewer fund. Of the current combined ending fund balance, \$2,632,029 is unreserved and not designated, and \$4,761,498 is reserved.

The general fund is the main operating fund of the City of Parker. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,632,029. Total unreserved fund balance represents 111% of total general fund expenditures.

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

Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$1,611,632. The total decrease in net assets of the Enterprise Funds was \$(2,869,380). The factors concerning the finances of this fund have already been addressed in the discussion of the City of Parker's business type activities.

General Fund Budgetary Highlights

During the year, revenues did not meet budgetary estimates, and expenditures were greater than budgetary estimates. The budget had called for a \$493,101 increase in fund balance. Actual results decreased the fund balance by \$(5,069).

Capital Asset and Debt Administration

Capital assets. The City of Parker's investment in capital assets for its governmental and business-type activities as of September 30, 2009, was \$50,702,289 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

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

- Purchase of a fire truck for \$581,675, and construction in progress on fire department building and streets of \$2,763,913 occurred in the governmental activities.
- Construction in progress on water lines and an elevated storage tank of \$713,075 occurred in the business-type activities.

Additional information on the City of Parker's capital assets can be found in note 3.C. on page 31 of this report.

Long-term debt. At the end of the current fiscal year, the City of Parker had bonded debt outstanding of \$8,945,000.

The City of Parker's long-term debt decreased by \$537,154 due to scheduled principal payments on outstanding debt.

Additional information on the City of Parker's long-term debt can be found in notes 3.F. and 3.G. on pages 32-37 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Parker continued to experience controlled single-family residential development. Property taxes continue to be the City's primary source of revenue. Managed growth has continued through fiscal year 2009 although at a slightly lower than anticipated level. Residential construction is anticipated to continue at about the same pace in the 2009-2010 period.

City Administration submits a quarterly Revenue and Expenditure report and Investment report, which is reviewed by the City Council in open Council Meetings. Moderate growth will continue to create demands for additional public services, i.e. fire and police, and public works. These factors were considered in preparing the City's budget for the 2009-10 fiscal year. The budget that was developed by City management and approved by the City's elected officials focused on using the City's available financial resources. In the past five years, tightly constrained budgets have been approved, and heavily dependent on ad valorem taxes and permit fees. Therefore, it is critical city management and Council continue to monitor revenue and spending patterns very closely and pay particular attention to residential housing permit patterns during FY 2010.

1. Public Safety Building - \$1.5 million budgeted total project - funded through General Obligation Bond. To be completed in FY2010.
2. McCreary Road - \$2.7 million budget (with 50% match from Collin County) - funded through Certificates of Obligation. To be completed in FY2010
3. Salary increases - Overall average of 3%. Merit and adjustments to remain competitive in the market place.
4. Ad Valorem Taxes - Anticipate a small increase in revenue from Ad Valorem Taxes. Tax rate remained at \$0.37708.
4. Building Permits - Anticipate building permits leveling out for FY2010.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF PARKER
 Statement of Net Assets
 September 30, 2009

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,582,362	1,037,678	3,620,040
Investments	5,333,934		5,333,934
Receivables (net of allowance for uncollectibles)	27,563	139,082	166,645
Restricted assets - cash and cash equivalents		271,888	271,888
Due (to)/from other funds	(199,595)	199,595	
Deferred charges	69,469	56,505	125,974
Capital assets not being depreciated:			
Land	843,484	107,417	950,901
Construction in progress	2,933,310	713,075	3,646,385
Capital assets (net of accumulated depreciation):			
Buildings and improvements	543,570		543,570
Water and sewer systems		10,068,341	10,068,341
Equipment and vehicles	742,472	71,449	813,921
Streets/infrastructure	<u>34,679,171</u>	<u> </u>	<u>34,679,171</u>
Total assets	<u>47,555,740</u>	<u>12,665,030</u>	<u>60,220,770</u>
LIABILITIES			
Accounts payable	260,102	36,028	296,130
Accrued salaries	40,110	11,521	51,631
Accrued interest payable	30,339	31,888	62,227
Building permit deposits	34,000		34,000
Noncurrent liabilities:			
Due within one year	262,954	253,679	516,633
Due in more than one year	<u>4,458,799</u>	<u>4,066,250</u>	<u>8,525,049</u>
Total liabilities	<u>5,086,304</u>	<u>4,399,366</u>	<u>9,485,670</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,054,386	6,654,032	41,708,418
Restricted	4,761,498		4,761,498
Unrestricted	<u>2,653,552</u>	<u>1,611,632</u>	<u>4,265,184</u>
Total net assets	<u>\$ 42,469,436</u>	<u>8,265,664</u>	<u>50,735,100</u>

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

CITY OF PARKER
 Statement of Activities
 For the Fiscal Year Ended September 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$ 705,952	132,465			
Public safety	928,703	196,367	18,021		
Transportation	1,626,123			698,191	
Culture and recreation	6,420				
Interest and fiscal charges	<u>231,946</u>				
Total governmental activities	<u>3,499,144</u>	<u>328,832</u>	<u>18,021</u>	<u>698,191</u>	
Business-type activities:					
Water and sewer	1,829,911	1,409,066			
Sanitation	<u>185,674</u>	<u>222,012</u>			
Total business-type activities	<u>2,015,585</u>	<u>1,631,078</u>			
Total primary government	<u>\$ 5,514,729</u>	<u>1,959,910</u>	<u>18,021</u>	<u>698,191</u>	

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

Change in net assets

Net assets - beginning (as restated)

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(573,487)	(573,487)	
(714,315)	(714,315)	
(927,932)	(927,932)	
(6,420)	(6,420)	
<u>(231,946)</u>	<u>(231,946)</u>	
<u>(2,454,100)</u>	<u>(2,454,100)</u>	
(420,845)	(420,845)	
<u>36,338</u>	<u>36,338</u>	
<u>(384,507)</u>	<u>(384,507)</u>	
<u>(2,454,100)</u>	<u>(384,507)</u>	<u>(2,838,607)</u>
1,859,822	1,859,822	
106,877	106,877	
198,098	198,098	
201,044	7,129	208,173
29,333	505	29,838
3,910		3,910
<u>2,492,507</u>	<u>(2,492,507)</u>	
<u>4,891,591</u>	<u>(2,484,873)</u>	<u>2,406,718</u>
2,437,491	(2,869,380)	(431,889)
<u>40,031,945</u>	<u>11,135,044</u>	<u>51,166,989</u>
<u>42,469,436</u>	<u>8,265,664</u>	<u>50,735,100</u>

CITY OF PARKER

Balance Sheet

Governmental Fund

September 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,023,791	70,186	1,442,054	46,331	2,582,362
Investments	2,000,000		3,299,434	34,500	5,333,934
Receivables (net of allowance for uncollectibles)	<u>27,563</u>				<u>27,563</u>
Total assets	\$ 3,051,354	70,186	4,741,488	80,831	7,943,859

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 79,115	180,987	260,102
Accrued salaries	40,110		40,110
Building permit deposits	34,000		34,000
Due to other funds	199,595		199,595
Deferred revenue	<u>16,525</u>		<u>16,525</u>
Total liabilities	<u>369,345</u>	<u>180,987</u>	<u>550,332</u>

Fund balances:

Reserved for:			
Debt service		70,186	70,186
Court	49,980		49,980
Capital outlay		4,560,501	4,560,501
PVFD			80,831
Unreserved, undesignated:			
General fund	<u>2,632,029</u>		<u>2,632,029</u>
Total fund balances	<u>2,682,009</u>	<u>70,186</u>	<u>4,560,501</u>
Total liabilities and fund balances	\$ 3,051,354	70,186	4,741,488

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

CITY OF PARKER
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 September 30, 2009

Total Fund Balances - Governmental Funds \$ 7,393,527

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$40,851,154 and the accumulated depreciation was \$(3,087,853). In addition, long-term liabilities, including bonds payable of \$(4,859,000) and notes payable of \$(87,165), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

32,817,136

Current year capital outlays of \$3,410,764 and long-term debt and note principal payments of \$258,544 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

3,669,308

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

(30,339)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(1,432,058)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$16,525 as revenue, capitalizing bond issuance cost of \$69,469, and recognizing the liability for compensated absences of \$(34,132). The net effect of these reclassifications is to increase net assets.

51,862

Net Assets of Governmental Activities \$ 42,469,436

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

CITY OF PARKER
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended September 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 1,368,939		495,213		1,864,152
Sales	106,877				106,877
Franchise	198,098				198,098
License and permits	132,465				132,465
Intergovernmental			698,191	4,280	702,471
Investment income	29,970	1,610	167,774	1,690	201,044
Fines, warrants and seizures	196,367				196,367
Donations/fund raisers	13,681			60	13,741
Miscellaneous	29,333				29,333
Total revenues	<u>2,075,730</u>	<u>496,823</u>	<u>865,965</u>	<u>6,030</u>	<u>3,444,548</u>
EXPENDITURES					
Current:					
General government	451,206				451,206
Police department	573,876				573,876
Municipal court	119,180				119,180
Fire department	195,970			70,652	266,622
Building and code enforcement	82,414				82,414
Parks and recreation	6,420				6,420
Public works/streets	324,505				324,505
City property	59,621				59,621
Capital outlay	565,176		2,763,913	81,675	3,410,764
Debt service:					
Principal		258,544			258,544
Interest and fiscal charges		207,943			207,943
Total expenditures	<u>2,378,368</u>	<u>466,487</u>	<u>2,763,913</u>	<u>152,327</u>	<u>5,761,095</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(302,638)</u>	<u>30,336</u>	<u>(1,897,948)</u>	<u>(146,297)</u>	<u>(2,316,547)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	3,910				3,910
Transfers in	343,509	39,850	2,872,073		3,215,582
Transfer out	(49,850)			(713,075)	(723,075)
Total other financing sources (uses)	<u>297,569</u>	<u>39,850</u>	<u>2,158,998</u>		<u>2,496,417</u>
Net change in fund balances	(5,069)	70,186	261,050	(146,297)	179,870
Fund balances, beginning	<u>2,687,078</u>		<u>4,299,451</u>	<u>227,128</u>	<u>7,213,657</u>
Fund balances, ending	<u>\$ 2,682,009</u>	<u>70,186</u>	<u>4,560,501</u>	<u>80,831</u>	<u>7,393,527</u>

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

CITY OF PARKER
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2009

Total Net Change in Fund Balances - Governmental Funds \$ 179,870

Current year capital outlays of \$3,410,764 and long-term debt principal payments of \$258,544 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reduction in debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

3,669,308

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

(1,432,058)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$(4,330) as revenue, and accrued interest of \$(20,347), amortization of bond issuance costs of \$(3,656), and compensated absences of \$48,704 as a decrease in expense. The net effect of these reclassifications is to increase net assets.

20.371

Change in Net Assets of Governmental Activities

\$ 2,437,491

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

CITY OF PARKER
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Fiscal Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 1,874,541	1,874,541	1,368,939	(505,602)
Sales	130,000	130,000	106,877	(23,123)
Franchise	200,000	200,000	198,098	(1,902)
License and permits:				
Building permits	150,000	150,000	124,112	(25,888)
Special use permits	1,000	1,000	1,140	140
Alarm permits			5,133	5,133
Filing fee	2,000	2,000	2,080	80
Grants:				
Fire department			13,681	13,681
Investment income	100,000	100,000	29,970	(70,030)
Fines, warrants and seizures	250,000	250,000	196,367	(53,633)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>29,333</u>	<u>23,333</u>
Total revenues	<u>2,713,541</u>	<u>2,713,541</u>	<u>2,075,730</u>	<u>(637,811)</u>
EXPENDITURES				
Current:				
General government	522,821	520,071	451,206	68,865
Police department	637,755	637,755	573,876	63,879
Municipal court	168,300	168,300	119,180	49,120
Fire department	193,900	183,450	195,970	(12,520)
Building & code enforcement	89,845	89,845	82,414	7,431
Parks and recreation	12,750	12,750	6,420	6,330
Public works/streets	434,060	434,060	324,505	109,555
City property	63,500	63,500	59,621	3,879
Capital outlay	<u>97,509</u>	<u>110,709</u>	<u>565,176</u>	<u>(454,467)</u>
Total expenditures	<u>2,220,440</u>	<u>2,220,440</u>	<u>2,378,368</u>	<u>(157,928)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>493,101</u>	<u>493,101</u>	<u>(302,638)</u>	<u>(795,739)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets			3,910	3,910
Transfers in			343,509	343,509
Transfers (out)			<u>(49,850)</u>	<u>(49,850)</u>
Total other financing sources (uses)			<u>297,569</u>	<u>297,569</u>
Net change in fund balances	493,101	493,101	(5,069)	(498,170)
Fund balances, beginning	<u>2,687,078</u>	<u>2,687,078</u>	<u>2,687,078</u>	—
Fund balances, ending	<u>\$ 3,180,179</u>	<u>3,180,179</u>	<u>2,682,009</u>	<u>(498,170)</u>

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

CITY OF PARKER
Statement of Net Assets
Proprietary Fund
September 30, 2009

	<u>Water/Sewer and Sanitation</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,037,678
Restricted cash and cash equivalents	271,888
Receivables (net of allowance of uncollectibles)	139,082
Due from other funds	<u>199,595</u>
Total current assets	<u>1,648,243</u>
Noncurrent assets:	
Deferred charges	<u>56,505</u>
Capital assets:	
Land	107,417
Construction in progress	713,075
Water/sewer systems	11,770,456
Equipment & vehicles	257,072
Less: accumulated depreciation	<u>(1,887,738)</u>
Total capital assets (net of accumulated depreciation)	<u>10,960,282</u>
Total noncurrent assets	<u>11,016,787</u>
Total assets	<u>12,665,030</u>
LIABILITIES	
Current liabilities:	
Accounts payable	36,028
Accrued salaries	11,521
Compensated absences payable	13,679
Accrued interest payable	31,888
Current portion of revenue bonds payable	<u>240,000</u>
Total current liabilities	<u>333,116</u>
Noncurrent liabilities:	
Revenue bonds payable	<u>4,066,250</u>
Total noncurrent liabilities	<u>4,066,250</u>
Total liabilities	<u>4,399,366</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,654,032
Unrestricted	<u>1,611,632</u>
Total net assets	<u>\$ 8,265,664</u>

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

CITY OF PARKER
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Fund
 For the Fiscal Year Ended September 30, 2009

	<u>Water/Sewer and Sanitation</u>
OPERATING REVENUES	
Water sales	\$ 1,227,513
Sanitation charges	222,012
Meter installations	41,250
Sewer charges	113,860
Tap fees	3,750
Late charges	20,793
Reconnect fees	1,900
Miscellaneous	505
Total operating revenues	<u>1,631,583</u>
OPERATING EXPENSES	
Legal fees	36,734
Auditor fees	8,750
Engineering fees	3,208
Insurance	12,222
Training/education	992
Health insurance	32,744
Worker's compensation	6,085
Payroll taxes	4,586
Salaries	303,772
Employee retirement	24,954
Office expense	23,938
Truck operation & maintenance	9,634
Equipment & tools	1,515
Repairs & maintenance	50,994
Meter reading	18,891
Water purchases	579,913
Sewer operations	119,888
Utilities - distribution	49,024
Sanitation collection	185,674
Depreciation	322,970
Total operating expenses	<u>1,796,488</u>
Operating income/(loss)	<u>(164,905)</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	723,075
Transfers out	(3,215,582)
Interest income	7,129
Interest expense	(219,097)
Total nonoperating revenues (expenses)	<u>(2,704,475)</u>
Change in net assets	(2,869,380)
Net assets, beginning	11,135,044
Net assets, ending	\$ <u>8,265,664</u>

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

CITY OF PARKER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2009

	<u>Water/Sewer and Sanitation</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,657,161
Cash paid to suppliers	(1,100,443)
Cash paid to employees	<u>(361,851)</u>
Net cash provided (used) by operating activities	<u>194,867</u>
 Cash flows from noncapital financing activities:	
Transfers from other funds	723,075
Transfers to other funds	(3,215,582)
Advances to other funds	<u>(199,595)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,692,102)</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(713,075)
Principal payments on capital debt	(238,750)
Interest paid on capital debt	<u>(194,650)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,146,475)</u>
 Cash flows from investing activities:	
Interest received	<u>7,129</u>
Net cash provided (used) by investing activities	<u>7,129</u>
 Net increase (decrease) in cash and cash equivalents	(3,636,581)
 Cash and cash equivalents, beginning	<u>4,946,147</u>
 Cash and cash equivalents, ending	<u>\$ 1,309,566</u>

CITY OF PARKER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2009
-continued-

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

	Water/Sewer and [*] <u>Sanitation</u>
Operating income/(loss)	<u>\$ (164,905)</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation expense	322,970
(Increase) decrease in accounts receivable	25,578
Increase (decrease) in accounts payable	934
Increase/(decrease) in accrued salaries	1,446
Increase/(decrease) in compensated absences	<u>8,844</u>
 Total adjustments	 <u>359,772</u>
 Net cash provided (used) by operating activities	 <u>\$ 194,867</u>

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

CITY OF PARKER
Notes to the Financial Statements
September 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

City of Parker Volunteer Fire Department (PFVD)

The Parker Volunteer Fire Department (PFVD) is a separate corporation that provides fire protection services for the City. The PFVD must submit its budget to the City Council for approval. Since the PFVD directly serves the City and significant funding is from the City, the PFVD is included in the City's financial statements as a governmental fund. Separate financial statements are not prepared for the PFVD.

B. Government-wide and Fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

CITY OF PARKER
Notes to the Financial Statements
September 30, 2009
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund financial statements (continued)

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

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

CITY OF PARKER
Notes to the Financial Statements
September 30, 2009
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *fire department fund* is the volunteer fire department. It accounts for all financial resources of the fire department.

The government reports the following proprietary funds:

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

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

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

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

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

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

2. Short-term Interfund Receivables/Payables

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

3. Restricted Assets

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

4. Capital Assets

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

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

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

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

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

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Compensated Absences

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

6. Long-term Obligations

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

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

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America with minor exceptions. The City shows "transfers in from reserves" as income on the budget as a way to show how additional expenditures are funded by reserve cash. These faux transfer in amounts are removed for any audited budget statement presentations. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

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

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

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

B. Budget/GAAP Reconciliation

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

Water/Sewer and Sanitation Fund

Net assets (budget)	\$ 8,588,634
Depreciation	<u>(322,970)</u>
Net assets (GAAP)	<u><u>\$ 8,265,664</u></u>

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At September 30, 2009, the City's carrying amount of deposits was \$1,551,446 and the bank balance was \$1,882,817. Of the bank balance, \$597,880 was covered by federal depository insurance and \$1,284,937 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

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

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

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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

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

	Fair Value
Texas Short Term Asset Reserve Fund (TexStar)	\$ 2,339,382
Certificates of deposit	<u>5,333,934</u>
Total investments	<u>\$ 7,673,316</u>

A reconciliation of cash and investments is as follows:

Cash on hand	\$ 1,551,446
Petty cash	1,100
Investments	<u>7,673,316</u>
Total cash and investments	<u>\$ 9,225,862</u>

B. Receivables

Receivables at September 30, 2009 consisted of the following:

	<u>General</u>	<u>Water/Sewer and Sanitation</u>
Property tax	\$ 16,525	
Sales tax	10,502	
Mixed beverage tax	536	
Accounts		<u>139,082</u>
Net receivables	<u>\$ 27,563</u>	<u>139,082</u>

Property taxes are based on the appraised values provided by the Collin Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 843,484			843,484
Building and improvements	825,712			825,712
Equipment	1,215,405	646,851	(42,773)	1,819,483
Streets/infrastructure	37,797,156			37,797,156
Construction in progress	<u>169,397</u>	<u>2,763,913</u>		<u>2,933,310</u>
Totals at historical cost	40,851,154	3,410,764	(42,773)	44,219,145
Less accumulated depreciation	<u>(3,087,853)</u>	<u>(1,432,058)</u>		<u>42,773</u>
Governmental activities capital assets, net	<u>\$ 37,763,301</u>	<u>1,978,706</u>	<u>0</u>	<u>39,742,007</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Land	\$ 107,417			107,417
Water and sewer system	11,770,456			11,770,456
Equipment and vehicles	258,312		(1,240)	257,072
Construction in progress		<u>713,075</u>		<u>713,075</u>
Totals at historical cost	12,136,185	713,075	(1,240)	12,848,020
Less accumulated depreciation	<u>(1,566,008)</u>	<u>(322,970)</u>	<u>1,240</u>	<u>(1,887,738)</u>
Business-type activities capital assets, net	<u>\$ 10,570,177</u>	<u>390,105</u>	<u>0</u>	<u>10,960,282</u>

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

Government activities:

General government	\$ 27,292
Police department	27,400
Fire department	75,748
Public works/streets	<u>1,301,618</u>
Total depreciation expense - government activities	\$ 1,432,058

Business-type activities:

Water and sewer	\$ 322,970
Total depreciation expense - business-type activities	\$ 322,970

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

D. Construction Commitments

The City had the following projects under construction at September 30, 2009:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 09/30/09</u>
<u>Governmental activities:</u>			
Public safety building	12/09	\$ 1,526,460	1,295,227
McCreary Road	04/10	3,080,835	1,638,083
<u>Business-type activities:</u>			
Water lines	10/09	167,655	155,134
Elevated storage tank	09/10	\$ 2,344,000	557,941

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	General	\$ <u>199,595</u>

Interfund transfers:

<u>Transfers Out:</u>	<u>Transfers In:</u>				
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
General Fund	\$ <u>39,850</u>			10,000	49,850
Capital Projects Fund				713,075	713,075
Water & Sewer Fund	<u>343,509</u>		<u>2,872,073</u>		<u>3,215,582</u>
Total	<u>343,509</u>	<u>39,850</u>	<u>2,872,073</u>	<u>723,075</u>	<u>3,978,507</u>

The transfer from the Water and Sewer Fund to the General Fund was for administrative costs. The transfer from the Water and Sewer Fund to the Capital Projects Fund was for construction costs. The transfer from the Capital Projects Fund to the Water and Sewer Fund was for construction in progress.

F. Notes Payable

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

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

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Notes Payable (continued)

In May 2005, the government obtained a loan from American National Bank to purchase a new Explorer police truck (#1). The truck cost was \$29,277. The truck was pledged as collateral against the note. Quarterly payments of \$2,038 began on July 1, 2005, including interest at 4.22 percent. The note was paid in full in April, 2009.

In June 2005, the government obtained a loan from American National Bank to purchase a new Explorer police truck, (#2). The truck cost was \$29,555. The truck was pledged as collateral against the note. Quarterly payments of \$1,993 began on July 1, 2005, including interest at 3.63 percent. The note was paid in full in July, 2009.

On May 15, 2006, the government obtained a loan from American National Bank to purchase a new public works truck. The truck cost was \$17,418. The truck was pledged as collateral against the note. Annual payments of \$6,200 began on October 1, 2006, including interest at 4.84 percent. The note was paid in full in October, 2008.

As of September 30, 2009, the equipment and vehicles had a cost basis of \$288,556 which is included in the governmental activities on the Statement of Net Assets. Note expenditures for 2009 were \$42,595, of which \$4,301 represented interest. Effective interest rates range from 3.63% to 5.15%.

The following table summarizes the changes in notes payable for the year ended September 30, 2009:

	Balance, September 30, 2008	Additions	Retirements	Balance, September 30, 2009	Due Within One Year
<u>General long-term debt</u>					
Explorer PD truck #1	\$ 3,855		(3,855)		
Explorer PD truck #2	5,873		(5,873)		
Smeal fire truck	71,526		(22,655)	48,871	23,822
F-150 truck	<u>5,911</u>		(5,911)	____	____
Total general long-term debt	<u>\$ 87,165</u>		(38,294)	<u>48,871</u>	<u>23,822</u>

Pursuant to the terms of the loan agreements, the City will be required to make future minimum payments as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 23,822	2,517	26,339
2011	<u>25,049</u>	<u>1,290</u>	<u>26,339</u>
Totals	\$ 48,871	3,807	52,678

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt

Long-term debt activity for the year ended September 30, 2009 for governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 87,165		(38,294)	48,871	23,822
1979 - G. O. Bonds	9,000		(9,000)		
1999 - C. O. s	855,000		(62,500)	792,500	65,000
2008 - G. O. Bonds	2,045,000		(70,000)	1,975,000	65,000
2008 - C. O. s	1,950,000		(78,750)	1,871,250	75,000
Compensated absences	<u>82,836</u>	<u>34,132</u>	<u>(82,836)</u>	<u>34,132</u>	<u>34,132</u>
Totals	<u>\$ 5,029,001</u>	<u>34,132</u>	<u>(341,380)</u>	<u>4,721,753</u>	<u>262,954</u>

Bonds payable at September 30, 2009 are comprised of the following issues for governmental activities:

1999 Tax and Water Revenue Certificates of Obligation issued January 15, 1999, due in annual installments through July 15, 2019, bearing interest ranging from 4.15% to 5.50% payable January 15 and July 15. The governmental activities portion is 50% or \$1,250,000 of the total issue of \$2,500,000.	\$ 792,500
2008 General Obligation Bonds issued September 16, 2008, due in annual installments through February 2028, bearing interest at 4.75% payable February 15 and August 15.	1,975,000
2008 Combination Tax & Water System Revenue Certificates of Obligation issued September 30, 2008, due in annual installments through February, 2028, bearing interest at rates varying from 4.75% to 4.90% payable February 15 and August 15. The governmental activities portion is 37.5 percent or \$1,950,000 of the total \$5,200,000 issued.	<u>1,871,250</u>
Combined Debt	<u>\$ 4,638,750</u>

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2009 are as follows:

Year Ending September 30,	1999 C. O. s		2008 G. O. Bonds		2008 C. O. s	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 65,000	35,870	65,000	92,269	75,000	87,278
2011	67,500	33,140	70,000	89,063	78,750	83,511
2012	70,000	30,238	70,000	85,738	80,630	79,667
2013	72,500	27,193	75,000	82,294	84,380	75,748
2014	77,500	23,967	80,000	78,613	90,000	71,606
2015	80,000	20,479	85,000	74,694	95,630	67,198
2016	85,000	16,839	90,000	70,538	99,380	62,567
2017	87,500	12,929	90,000	66,263	105,000	57,713
2018	92,500	8,860	95,000	61,869	108,750	52,636
2019	95,000	4,513	100,000	57,238	114,380	47,337
2020			105,000	52,369	120,000	41,768
2021			110,000	47,263	125,630	35,937
2022			115,000	41,919	131,250	29,836
2023			120,000	36,338	138,750	23,424
2024			130,000	30,400	76,880	18,302
2025			135,000	24,106	80,630	14,561
2026			140,000	17,575	84,380	10,602
2027			145,000	10,806	88,130	6,546
2028			155,000	3,681	93,700	1,852
Totals	\$ 792,500	214,028	1,975,000	1,023,036	1,871,250	868,089

During the year ended September 30, 2009, the following changes occurred in long-term liabilities reported as business-type activities:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Series 1997	\$ 440,000		(45,000)	395,000	50,000
Series 1999	855,000		(62,500)	792,500	65,000
Series 2008	3,250,000		(131,250)	3,118,750	125,000
Compensated absences	4,835	13,679	(4,835)	13,679	13,679
Totals	\$ 4,549,835	13,679	(243,585)	4,319,929	253,679

-continued-
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CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

Bonds payable at September 30, 2009 are comprised of the following individual issues for the Water and Sewer Fund:

1997 Combination Tax and Revenue Certificates of Obligation issued July 22, 1997 due in annual installments through June, 2016 bearing interest ranging from 4.0% to 5.3% payable December 15 and June 15. The bonds are secured by a pledge of net revenues from the water system and if that is insufficient, by the general tax revenue of the City. The bonds require the maintenance of an interest and sinking fund which is restricted to payment of principal and interest.

\$ 395,000

1999 Tax and Water Revenue Certificates of Obligation issued January 15, 1999 due in annual installments through July, 2019 bearing interest ranging from 4.15% to 5.5% payable January 15 and July 15. The water fund bonds are 50% or \$1,250,000 of the total issue of \$2,500,000.

792,500

2008 Combination Tax & Water System Revenue Certificates of Obligation issued September 30, 2008, due in annual installments through February 2028, bearing interest at rates varying from 4.75% to 4.90% payable February 15 and August 15. The Water and Sewer Fund portion is 62.5 percent or \$3,250,000 of the total \$5,200,000 issued.

3,118,750

Combined Debt \$ 4,306,250

The annual requirements to amortize the bonded debt outstanding for the Water and Sewer Fund as of September 30, 2009, are as follows:

Year Ending September 30,	Series 1997		Series 1999		Series 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 50,000	20,517	65,000	35,870	125,000	145,463
2011	55,000	18,018	67,500	33,140	131,250	139,184
2012	50,000	15,212	70,000	30,238	134,370	132,777
2013	55,000	12,663	72,500	27,193	140,620	126,246
2014	60,000	9,775	77,500	23,967	150,000	119,344
2015	60,000	6,625	80,000	20,479	159,375	111,996
2016	65,000	3,445	85,000	16,839	165,625	104,278
2017			87,500	12,929	175,000	96,187
2018			92,500	8,860	181,250	87,726
2019	\$		95,000	4,513	190,625	78,894

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

Year Ending <u>September 30,</u>	Series 1997		Series 1999		Series 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$				200,000	69,620
2021					209,375	59,894
2022					218,755	49,727
2023					231,255	39,039
2024					128,125	30,504
2025					134,375	24,270
2026					140,625	17,779
2027					146,875	10,910
2028					156,250	4,086
Total	\$ <u>395,000</u>	<u>86,255</u>	<u>792,500</u>	<u>214,028</u>	<u>3,118,750</u>	<u>1,447,924</u>

Restrictions of Bonded Debt

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

H. Restricted Assets

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

Accrued interest payable	\$ 31,888
Current revenue bonds payable	<u>240,000</u>
Total restricted assets	<u>\$ 271,888</u>

NOTE 4. OTHER INFORMATION

A. Risk Management

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

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. Each of the municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are at 100 percent of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 6%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - closed period - amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being

CITY OF PARKER
 Notes to Financial Statements
 September 30, 2009
 -continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Contributions (continued)

amortized over the 25-year period which began January, 2008. The projected unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Annual Pension Cost

For the year ended September 30, 2009, the City's annual pension cost of \$80,861 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.0% inflation amount was used to computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
09/30/07	\$ 70,210	70,210	0
09/30/08	\$ 66,522	66,522	0
09/30/09	\$ 80,861	80,861	0

Schedule of Funding Progress for TMRS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>U.A.A.L. as a Percentage of Covered Payroll [(b)-(a)/(c)]</u>
12/31/06	\$ 689,651	950,573	260,922	72.55%	\$ 699,362	37.31%
12/31/07	\$ 780,905	1,100,779	319,874	70.9%	\$ 790,868	40.45%
12/31/08	\$ 901,272	1,402,313	501,041	64.3%	\$ 916,218	54.69%

C. Supplemental Death Benefits Fund

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

CITY OF PARKER
Notes to Financial Statements
September 30, 2009
-continued-

NOTE 4. OTHER INFORMATION (continued)

C. Supplemental Death Benefits Fund (continued)

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

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

The City's contributions to the TMRS SDBF for the years ended 2009, 2008 and 2007 were \$1,224, \$1,924 and \$1,787, respectively, which equaled the required contributions each year.

NOTE 5. RESTATEMENT OF NET ASSETS

Net assets of the governmental activities have been restated at September 30, 2008 to correct accumulated depreciation and notes payable:

Net assets at September 30, 2008, as previously stated	\$ 41,209,334
Correct accumulated depreciation	(1,189,672)
Correct note payable	<u>12,283</u>
Net assets at September 30, 2008, as restated	<u>\$ 40,031,945</u>

INDIVIDUAL FUND STATEMENTS

CITY OF PARKER
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Budget and Actual - Water and Sewer Fund
 For the Fiscal Year Ended September 30, 2009

		Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
		<u>Original</u>	<u>Final</u>	
OPERATING REVENUES				
Collections:				
Water sales	\$ 1,750,000	1,750,000	1,227,513	(522,487)
Meter installation fees	80,000	80,000	41,250	(38,750)
Sewer charges	140,000	140,000	113,860	(26,140)
Tap fees			3,750	3,750
Late charges	30,000	30,000	20,793	(9,207)
Reconnect fees			1,900	1,900
Miscellaneous			505	505
Sanitation charges	<u>198,000</u>	<u>198,000</u>	<u>222,012</u>	<u>24,012</u>
Total operating revenues	<u>2,198,000</u>	<u>2,198,000</u>	<u>1,631,583</u>	<u>(566,417)</u>
OPERATING EXPENSES				
Legal fees	30,000	36,800	36,734	66
Auditor fees	9,000	9,000	8,750	250
Engineering fees	60,000	60,000	3,208	56,792
Insurance	20,400	20,400	12,222	8,178
Training/education	2,000	2,000	992	1,008
Health insurance	37,337	38,145	32,744	5,401
Worker's compensation	6,085	6,085	6,085	
Payroll taxes	4,585	4,645	4,586	59
Salaries	309,570	309,311	303,772	5,539
Employee retirement	32,380	32,630	24,954	7,676
Office expense	40,543	41,543	23,938	17,605
Truck operation & maintenance	23,000	23,150	9,634	13,516
Equipment & tools	5,000	5,000	1,515	3,485
Repairs & maintenance	70,000	69,291	50,994	18,297
Meter reading	20,000	20,000	18,891	1,109
Personnel contingency	6,000	6,000		6,000
Water purchases	571,000	580,150	579,913	237
Sewer operations	150,000	150,000	119,888	30,112
Utilities -distribution	90,000	73,050	49,024	24,026
Sanitation collection	<u>186,000</u>	<u>185,700</u>	<u>185,674</u>	<u>26</u>
Total operating expenses	<u>1,672,900</u>	<u>1,672,900</u>	<u>1,473,518</u>	<u>199,382</u>
Operating income	<u>525,100</u>	<u>525,100</u>	<u>158,065</u>	<u>(367,035)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	10,000	10,000	723,075	713,075
Transfers (out)			(3,215,582)	(3,215,582)
Interest income	50,400	50,400	7,129	(43,271)
Capital outlay	(150,000)	(150,000)		150,000
Interest expense			(219,097)	(219,097)
Total nonoperating revenues (expenses)	<u>(89,600)</u>	<u>(89,600)</u>	<u>(2,704,475)</u>	<u>(2,614,875)</u>
Change in net assets	435,500	435,500	(2,546,410)	(2,981,910)
Net assets, beginning	<u>11,135,044</u>	<u>11,135,044</u>	<u>11,135,044</u>	
Net assets, ending	<u>\$ 11,570,544</u>	<u>11,570,544</u>	<u>8,588,634</u>	<u>(2,981,910)</u>