

*ANNUAL FINANCIAL REPORT*

of the

**City of Parker, Texas**

**For the Year Ended  
September 30, 2014**

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# City of Parker, Texas

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September 30, 2014

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## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



BrooksCardiel, PLLC  
Certified Public Accountants  
The Woodlands, Texas  
November 8, 2014

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

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# City of Parker, Texas

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

### September 30, 2014

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, 2014.

#### **Financial Highlights**

- The City's total combined net position is \$48,418,493 at September 30, 2014. Of this, \$6,117,206 (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 \$4,742,413, an increase of \$660,109.
- As of the end of the year, the unassigned fund balance of the general fund was \$4,350,130 or 180% of total general fund expenditures.
- The City had an overall decrease in net position of \$1,085,164, which is primarily due to depreciation expense taken on capital assets.

#### **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

# City of Parker, Texas

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

### September 30, 2014

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Parker Volunteer Fire Department for which the City is financially accountable. Although legally separate, the Fire Department functions for all practical purposes as a department of the City and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17 through 19 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*.

# City of Parker, Texas

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

### September 30, 2014

The City of Parker maintains three 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 to be major funds.

The City of Parker adopts an annual appropriated budget for its general, debt service, and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

#### **Proprietary Funds**

The City maintains one type of proprietary fund which is considered an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

#### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

#### **Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. The RSI can be found after the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Parker, assets exceeded liabilities by \$48,418,493 as of September 30, 2014, in the primary government.

The largest portion of the City's net position, \$42,013,184, 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

# City of Parker, Texas

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

### September 30, 2014

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 assets of Governmental Activities as of September 30, 2014 and September 30, 2013 were \$4,909,009 and \$4,211,182, respectively. The increase of \$697,827 was primarily attributable to the due to other funds balance of \$(262,922) outstanding at prior year being moved to a transfer in the current year, and due to revenues exceeding expenditures for the year which contributed to additional cash and investment reserves at the current year end.

Current assets of Business-Type Activities as of September 30, 2014 and September 30, 2013 were \$1,607,048 and \$2,339,508, respectively. The decrease of \$732,460 was primarily attributable to the due from other funds balance of \$262,922 outstanding at prior year being moved to a transfer in the current year, a decrease of \$117,984 in net accounts receivable as a result of significant reduction in water usage due to the drought water restrictions, and due to cash reserves being used to service bonds.

#### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,909,009	\$ 1,607,048	\$ 6,516,057	\$ 4,211,182	\$ 2,339,508	\$ 6,550,690
Capital assets, net	35,375,983	12,577,845	47,953,828	36,651,089	12,968,552	49,619,641
<b>Total Assets</b>	<b>40,284,992</b>	<b>14,184,893</b>	<b>54,469,885</b>	<b>40,862,271</b>	<b>15,308,060</b>	<b>56,170,331</b>
<b>Deferred Outflows of Resources</b>	<b>79,865</b>	<b>73,721</b>	<b>153,586</b>	<b>85,569</b>	<b>78,987</b>	<b>164,556</b>
Other liabilities	154,612	56,748	211,360	116,104	143,831	259,935
Long-term liabilities	3,000,846	2,992,772	5,993,618	3,273,615	3,297,680	6,571,295
<b>Total Liabilities</b>	<b>3,155,458</b>	<b>3,049,520</b>	<b>6,204,978</b>	<b>3,389,719</b>	<b>3,441,511</b>	<b>6,831,230</b>
Net Position:						
Net investment in capital assets	32,411,910	9,601,274	42,013,184	33,409,605	9,687,073	43,096,678
Restricted	288,103	-	288,103	283,076	-	283,076
Unrestricted	4,509,386	1,607,820	6,117,206	3,865,440	2,258,463	6,123,903
<b>Total Net Position</b>	<b>\$ 37,209,399</b>	<b>\$ 11,209,094</b>	<b>\$ 48,418,493</b>	<b>\$ 37,558,121</b>	<b>\$ 11,945,536</b>	<b>\$ 49,503,657</b>

# City of Parker, Texas

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

### September 30, 2014

#### Statement of Activities:

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

	For the Year Ended September 30, 2014			For the Year Ended September 30, 2013		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 342,602	\$ 1,925,667	\$ 2,268,269	\$ 377,427	\$ 2,353,786	\$ 2,731,213
Grants and contributions	98,898	-	98,898	125,451	-	125,451
General revenues:						
Property taxes	1,967,151	-	1,967,151	1,998,515	-	1,998,515
Sales taxes	129,197	-	129,197	518,256	-	518,256
Franchise and local taxes	238,171	-	238,171	208,724	-	208,724
Investment income	41,821	837	42,658	37,367	1,151	38,518
Other revenues	228,000	-	228,000	48,286	-	48,286
<b>Total Revenues</b>	<b>3,045,840</b>	<b>1,926,504</b>	<b>4,972,344</b>	<b>3,314,026</b>	<b>2,354,937</b>	<b>5,668,963</b>
<b>Expenses</b>						
General government	823,971	-	823,971	867,217	-	867,217
Public safety	949,383	-	949,383	877,683	-	877,683
Transportation	1,776,842	-	1,776,842	2,044,862	-	2,044,862
Culture and recreation	11,721	-	11,721	14,331	-	14,331
Interest and fiscal charges	95,567	97,262	192,829	101,695	104,423	206,118
Water, sewer, & sanitation	-	2,302,762	2,302,762	-	2,270,857	2,270,857
<b>Total Expenses</b>	<b>3,657,484</b>	<b>2,400,024</b>	<b>6,057,508</b>	<b>3,905,788</b>	<b>2,375,280</b>	<b>6,281,068</b>
<b>Change in Net Position Before Transfers</b>	<b>(611,644)</b>	<b>(473,520)</b>	<b>(1,085,164)</b>	<b>(591,762)</b>	<b>(20,343)</b>	<b>(612,105)</b>
Transfers, net	262,922	(262,922)	-	-	-	-
<b>Total</b>	<b>262,922</b>	<b>(262,922)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(348,722)</b>	<b>(736,442)</b>	<b>(1,085,164)</b>	<b>(591,762)</b>	<b>(20,343)</b>	<b>(612,105)</b>
Beginning Net Position	37,558,121	11,945,536	49,503,657	38,149,883	11,965,879	50,115,762
<b>Ending Net Position</b>	<b>\$ 37,209,399</b>	<b>\$ 11,209,094</b>	<b>\$ 48,418,493</b>	<b>\$ 37,558,121</b>	<b>\$ 11,945,536</b>	<b>\$ 49,503,657</b>

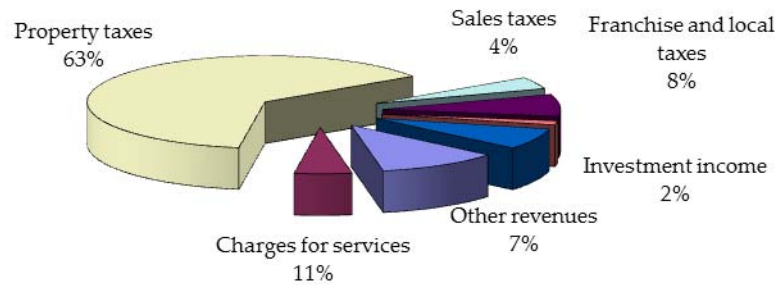
# City of Parker, Texas

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

### September 30, 2014

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

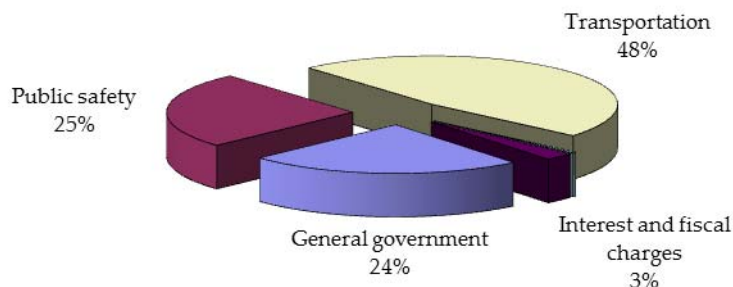
#### Governmental Activities - Revenues



For the year ended September 30, 2014, revenues from governmental activities totaled \$3,045,840. Property tax, other revenues and charges for services are the City's largest revenue sources. Sales tax decreased \$389,059 or 301% due to a one-time sales tax distribution from the State Comptroller in prior year that was not repeated in the current year. This distribution was the result of a state audit which revealed that sales tax previously collected was not correctly allocated to the City. Other revenues increased by \$179,714 or 79% due to inspection fees for two new developments within the City. Grants and contributions decreased by \$26,553 or 22% due to several nonrecurring grants received in the prior year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

#### Governmental Activities - Expenses



For the year ended September 30, 2014, expenses for governmental activities totaled \$3,657,484. This represents a decrease of \$248,304 or 3% from the prior year. The City's largest functional expense is transportation of \$1,776,842 which is primarily depreciation of transportation related assets. Transportation expenses decreased by \$268,020 or 15% from prior year. The decrease was a result of a

# City of Parker, Texas

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

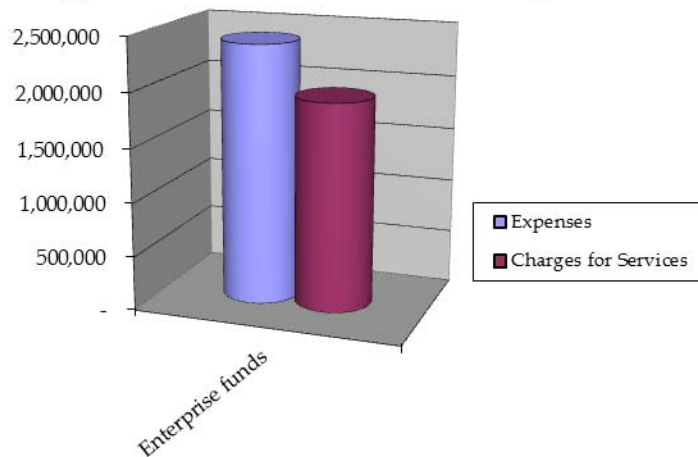
September 30, 2014

decrease in project spending by the public works department. All other expenses remained relatively stable when compared to the previous year.

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

For the year ended September 30, 2014, charges for services by business-type activities totaled \$1,925,667. This is a decrease of \$428,119, or 18%, from the previous year. This decrease directly relates to water usage due to a surcharge imposed to conserve water.

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



Total expenses increased \$24,744 due primarily to an increase in the cost of water purchased by the City. All other expenses remained relatively consistent.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$4,489,404. Of this, \$34,409 is restricted for municipal court and \$104,180 is committed for capital improvements. The unassigned fund balance totaled \$4,350,130 as of year end.

There was an increase in governmental fund balance of \$660,109 over the prior year. The City had a combination of higher than budgeted revenues and less expenditures than planned.

**City of Parker, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2014**

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 \$792,488 in the general fund. This is a combination of positive revenue and expenditure variances of \$128,414 and \$462,345, respectively. Half of the revenue sources received more revenue than anticipated with the other half of the sources receiving less than anticipated. All expenditures were less than budgeted.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$35,375,983 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 \$12,577,845 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Purchase of two police department vehicles for a total of \$65,752
- Purchase of two volunteer fire department vehicles for a total of \$64,750
- Road maintenance and upgrades for \$267,562

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

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds outstanding of \$5,755,000. During the year, the City had a reduction in the long-term debt of \$565,000. More detailed information about the City's long-term liabilities is presented in note IV. D. 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, 2014**

**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***

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**City of Parker, Texas**  
**STATEMENT OF NET POSITION**  
**September 30, 2014**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,671,098	\$ 1,407,308	\$ 3,078,406
Investments	3,162,172	-	3,162,172
Receivables, net	75,739	199,740	275,479
<b>Total Current Assets</b>	<b>4,909,009</b>	<b>1,607,048</b>	<b>6,516,057</b>
Capital assets:			
Non-depreciable	843,484	107,417	950,901
Net depreciable capital assets	34,532,499	12,470,428	47,002,927
	35,375,983	12,577,845	47,953,828
<b>Total Assets</b>	<b>40,284,992</b>	<b>14,184,893</b>	<b>54,469,885</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred charge on refunding	79,865	73,721	153,586
<b>Total Deferred Outflows of Resources</b>	<b>79,865</b>	<b>73,721</b>	<b>153,586</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and			
accrued liabilities	99,700	40,953	140,653
Customer deposits	42,000	-	42,000
Accrued interest payable	12,912	15,795	28,707
	154,612	56,748	211,360
Noncurrent liabilities:			
Due within one year	312,001	320,676	632,677
Due in more than one year	2,688,845	2,672,096	5,360,941
	3,000,846	2,992,772	5,993,618
<b>Total Liabilities</b>	<b>3,155,458</b>	<b>3,049,520</b>	<b>6,204,978</b>
<b><u>Net Position</u></b>			
Net investment in			
capital assets	32,411,910	9,601,274	42,013,184
Restricted	288,103	-	288,103
Unrestricted	4,509,386	1,607,820	6,117,206
<b>Total Net Position</b>	<b>\$ 37,209,399</b>	<b>\$ 11,209,094</b>	<b>\$ 48,418,493</b>

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 823,971	\$ 247,676	\$ 1,036
Public safety	949,383	94,926	97,862
Transportation	1,776,842	-	-
Culture and recreation	11,721	-	-
Interest and fiscal charges	95,567	-	-
<b>Total Governmental Activities</b>	<b>3,657,484</b>	<b>342,602</b>	<b>98,898</b>
<b>Business-Type Activities</b>			
Water, Sewer, & Sanitation	2,400,024	1,925,667	-
<b>Total Business-Type Activities</b>	<b>2,400,024</b>	<b>1,925,667</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 6,057,508</b>	<b>\$ 2,268,269</b>	<b>\$ 98,898</b>

**General Revenues:**

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

**Transfers**

**Total General Revenues**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (575,259)	\$ -	\$ (575,259)
(756,595)	-	(756,595)
(1,776,842)	-	(1,776,842)
(11,721)	-	(11,721)
(95,567)	-	(95,567)
<u>(3,215,984)</u>	<u>-</u>	<u>(3,215,984)</u>
-	(474,357)	(474,357)
-	(474,357)	(474,357)
<u>(3,215,984)</u>	<u>(474,357)</u>	<u>(3,690,341)</u>
1,967,151	-	1,967,151
129,197	-	129,197
238,171	-	238,171
41,821	837	42,658
228,000	-	228,000
262,922	(262,922)	-
<u>2,867,262</u>	<u>(262,085)</u>	<u>2,605,177</u>
(348,722)	(736,442)	(1,085,164)
37,558,121	11,945,536	49,503,657
<u>\$ 37,209,399</u>	<u>\$ 11,209,094</u>	<u>\$ 48,418,493</u>

# City of Parker, Texas

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2014

	General	Debt Service	Nonmajor Parker Volunteer Fire Department	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,484,060	\$ 93,875	\$ 93,163	\$ 1,671,098
Investments	3,096,201	-	65,971	3,162,172
Receivables, net	71,069	4,670	-	75,739
<b>Total Assets</b>	<b>\$ 4,651,330</b>	<b>\$ 98,545</b>	<b>\$ 159,134</b>	<b>\$ 4,909,009</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 99,700	\$ -	\$ -	\$ 99,700
Customer deposits	42,000	-	-	42,000
<b>Total Liabilities</b>	<b>141,700</b>	<b>-</b>	<b>-</b>	<b>141,700</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	20,226	4,670	-	24,896
<b><u>Fund Balances</u></b>				
Restricted for:				
Municipal court	34,409	-	-	34,409
Police seizures	685	-	-	685
Debt service	-	93,875	-	93,875
Fire department	-	-	159,134	159,134
Committed for:				
Capital improvements	104,180	-	-	104,180
Unassigned reported in:				
General fund	4,350,130	-	-	4,350,130
<b>Total Fund Balances</b>	<b>4,489,404</b>	<b>93,875</b>	<b>159,134</b>	<b>4,742,413</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,651,330</b>	<b>\$ 98,545</b>	<b>\$ 159,134</b>	<b>\$ 4,909,009</b>

See Notes to Financial Statements.



# City of Parker, Texas

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

September 30, 2014

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 4,742,413</b>
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	843,484
Capital assets - net depreciable	34,532,499
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	24,896
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Deferred charge on refunding	79,865
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(12,912)
Bond premium	(93,063)
Non-current liabilities due in one year	(312,001)
Non-current liabilities due in more than one year	(2,595,782)
<b>Net Position of Governmental Activities</b>	<b>\$ 37,209,399</b>

See Notes to Financial Statements.

# City of Parker, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	General	Debt Service	Parker Volunteer Fire Department	Total Governmental Funds
<b><u>Revenues</u></b>				
Property tax	\$ 1,598,621	\$ 370,326	\$ -	\$ 1,968,947
Sales tax	129,197	-	-	129,197
Franchise and local taxes	238,171	-	-	238,171
License and permits	247,676	-	-	247,676
Contributions and donations	86,503	-	11,359	97,862
Intergovernmental	1,036	-	-	1,036
Fines and forfeitures	94,926	-	-	94,926
Investment income	41,008	435	378	41,821
Other revenue	192,700	-	3,054	195,754
<b>Total Revenues</b>	<b>2,629,838</b>	<b>370,761</b>	<b>14,791</b>	<b>3,015,390</b>
<b><u>Expenditures</u></b>				
Current:				
General government	507,337	-	-	507,337
Police department	722,571	-	-	722,571
Municipal court	114,680	-	-	114,680
Fire department	245,727	-	76,460	322,187
Building and code enforcement	91,181	-	-	91,181
Parks and recreation	1,860	-	-	1,860
Public works	464,827	-	-	464,827
City property	57,526	-	-	57,526
Debt Service:				
Principal	-	269,100	-	269,100
Interest and fiscal charges	-	99,180	-	99,180
<b>Total Expenditures</b>	<b>2,205,709</b>	<b>368,280</b>	<b>76,460</b>	<b>2,650,449</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>424,129</b>	<b>2,481</b>	<b>(61,669)</b>	<b>364,941</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	264,458	-	62,728	327,186
Transfers (out)	(62,728)	(1,536)	-	(64,264)
Sale of capital assets	32,246	-	-	32,246
<b>Total Other Financing Sources (Uses)</b>	<b>233,976</b>	<b>(1,536)</b>	<b>62,728</b>	<b>295,168</b>
<b>Net change in fund balances</b>	<b>658,105</b>	<b>945</b>	<b>1,059</b>	<b>660,109</b>
Beginning fund balances	3,831,299	92,930	158,075	4,082,304
<b>Ending Fund Balances</b>	<b>\$ 4,489,404</b>	<b>\$ 93,875</b>	<b>\$ 159,134</b>	<b>\$ 4,742,413</b>

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, 2014

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

Net changes in fund balances - total governmental funds	\$ 660,109
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	424,128
Depreciation expense	(1,699,234)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,796)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(4,642)
Accrued interest	1,006
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Amortization of deferred charges on refunding	(5,704)
Amortization of premium	8,311
Principal payments	269,100
	<hr/>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (348,722)</b>
	<hr/> <hr/>

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
September 30, 2014

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 1,407,308
Receivables, net	199,740
<b>Total Current Assets</b>	<u>1,607,048</u>
<b><u>Noncurrent Assets</u></b>	
Capital assets:	
Non-depreciable	107,417
Net depreciable capital assets	12,470,428
<b>Total Noncurrent Assets</b>	<u>12,577,845</u>
<b>Total Assets</b>	<u>14,184,893</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	73,721
<b>Total Deferred Outflows of Resources</b>	<u>73,721</u>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts payable and accrued liabilities	40,953
Accrued interest	15,795
<b>Total Current Liabilities</b>	<u>56,748</u>
<b><u>Noncurrent Liabilities</u></b>	
Due within one year	320,676
Due in more than one year	2,672,096
<b>Total Liabilities</b>	<u>3,049,520</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	9,601,274
Unrestricted	1,607,820
<b>Total Net Position</b>	<u>\$ 11,209,094</u>

See Notes to Financial Statements.

# City of Parker, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Operating Revenues</u></b>	
Water sales	\$ 1,313,287
Sewer revenue	159,315
Garbage collection	284,544
Meter installations	95,500
Other revenue	73,021
<b>Total Operating Revenues</b>	<u>1,925,667</u>
<b><u>Operating Expenses</u></b>	
Cost of water	1,503,860
Cost of sewer	138,608
Cost of garbage	269,587
Depreciation	390,707
<b>Total Operating Expenses</b>	<u>2,302,762</u>
<b>Operating Income (Loss)</b>	<u>(377,095)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	837
Interest expense	(97,262)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(96,425)</u>
<b>Income (Loss) Before Transfers</b>	(473,520)
<b><u>Transfers</u></b>	
Transfers (out)	<u>(262,922)</u>
<b>Change in Net Position</b>	(736,442)
Beginning net position	<u>11,945,536</u>
<b>Ending Net Position</b>	<u><u>\$ 11,209,094</u></u>

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2014**

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 2,306,573
Payments to suppliers and employees	(1,999,139)
<b>Net Cash Provided by Operating Activities</b>	<u>307,434</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfer (out)	(262,922)
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<u>(262,922)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Principal paid on debt	(295,900)
Interest paid on debt	(101,003)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(396,903)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	837
<b>Net Cash Provided by Investing Activities</b>	<u>837</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(351,554)
Beginning cash and cash equivalents	<u>1,758,862</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 1,407,308</u></u>

See Notes to Financial Statements.

**City of Parker, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2014**

	<u>Water, Sewer &amp; Sanitation</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>	
<b><u>to Net Cash Provided by Operating Activities</u></b>	
Operating Income (Loss)	\$ (377,095)
Adjustments to reconcile operating income to net cash provided:	
Depreciation	390,707
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	117,984
Due from other funds	262,922
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	(87,084)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 307,434</u></u>

See Notes to Financial Statements.

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# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2014

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### B. Reporting Entity

The City of Parker, Texas (the "City") was incorporated on March 22, 1969 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; parks; general administrative services; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Parker Volunteer Fire Department, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**Blended Component Unit**

**Parker Volunteer Fire Department**

The Parker Volunteer Fire Department (the “VFD”) was created by City ordinance on February 22, 1983. The purpose of the VFD is to provide fire protection to the citizens of the City. The Fire Chief is the executive officer of the department and is appointed by the Mayor of the City.

**C. Basis of Presentation Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

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

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

The government reports the following governmental funds:

**Governmental Funds**

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

**General Fund**

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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

Expenditures include general government, public safety, public works, code enforcement, and parks and recreation. The general service fund is considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The City has elected to report the debt service fund as a major fund.

**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 protections. The VFD is considered nonmajor for reporting purposes.

**Proprietary Fund Types**

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

The government reports the following major enterprise fund:

**Water, Sewer, & Sanitation Fund**

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2014

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

#### **D. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2014

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.

#### **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. 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"

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

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

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

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

**3. 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.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**5. 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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	5 years
Furniture and equipment	5 to 10 years
Infrastructure	40 years
Water and sewer system	40 years
Buildings and improvements	40 years

**6. 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. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. 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.



**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**7. 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.

**8. 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.

**9. 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 FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**10. 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.

**11. 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 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.

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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**12. 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, & sanitation fund. Capital projects fund budgets are appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2014

added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

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

For the year ended September 30, 2014, no general fund expenditures exceeded appropriations at the legal level of control.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of September 30, 2014, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 3,161,172	1.28
External investment pools	1,291,659	0.0
Total fair value	\$ 4,452,831	
Portfolio weighted average maturity		1.28

*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, 2014, the City's investment in TexSTAR was rated AAAM by Standard & Poor's.

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

# City of Parker, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2014

deposits. As of September 30, 2014, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

#### **TexSTAR**

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR are the same as the value of TexSTAR shares.

#### **B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Water, Sewer &amp; Sanitation</b>	<b>Total</b>
Property taxes	\$ 20,226	\$ 4,670	\$ -	\$ 24,896
Sales tax	19,244	-	-	19,244
Franchise & local taxes	13,026	-	-	13,026
Accounts	-	-	199,740	199,740
Other	18,573	-	-	18,573
<b>Total</b>	<b>\$ 71,069</b>	<b>\$ 4,670</b>	<b>\$ 199,740</b>	<b>\$ 275,479</b>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**C. Capital Assets**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 843,484	\$ -	\$ -	\$ 843,484
Total capital assets not being depreciated	<u>843,484</u>	<u>-</u>	<u>-</u>	<u>843,484</u>
Capital assets, being depreciated:				
Land improvements	212,367	-	-	212,367
Buildings and improvements	2,601,792	14,536	-	2,616,328
Vehicles and equipment	2,359,589	142,030	(76,688)	2,424,931
Infrastructure	41,421,393	267,562	-	41,688,955
Total capital assets being depreciated	<u>46,595,141</u>	<u>424,128</u>	<u>(76,688)</u>	<u>46,942,581</u>
Less accumulated depreciation				
Land improvements	19,083	9,861	-	28,944
Buildings and improvements	455,339	65,086	-	520,425
Vehicles and equipment	1,503,689	156,123	(76,688)	1,583,124
Infrastructure	8,809,425	1,468,164	-	10,277,589
Total accumulated depreciation	<u>10,787,536</u>	<u>1,699,234</u>	<u>(76,688)</u>	<u>12,410,082</u>
Net capital assets being depreciated	<u>35,807,605</u>	<u>(1,275,106)</u>	<u>-</u>	<u>34,532,499</u>
<b>Total Capital Assets</b>	<u><u>\$ 36,651,089</u></u>	<u><u>\$ (1,275,106)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,375,983</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 19,686
Public safety	182,451
Public works	1,487,236
Culture and recreation	9,861
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 1,699,234</u></u>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

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

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 107,417	\$ -	\$ -	\$ 107,417
Total capital assets not being depreciated	<u>107,417</u>	<u>-</u>	<u>-</u>	<u>107,417</u>
Capital assets, being depreciated:				
Water and sewer system	15,957,474	-	-	15,957,474
Vehicles and equipment	258,312	-	-	258,312
Total capital assets being depreciated	<u>16,215,786</u>	<u>-</u>	<u>-</u>	<u>16,215,786</u>
Less accumulated depreciation				
Water and sewer system	3,119,347	384,432	-	3,503,779
Vehicles and equipment	235,304	6,275	-	241,579
Total accumulated depreciation	<u>3,354,651</u>	<u>390,707</u>	<u>-</u>	<u>3,745,358</u>
Net capital assets being depreciated	12,861,135	(390,707)	-	12,470,428
<b>Total Capital Assets</b>	<u><u>\$ 12,968,552</u></u>	<u><u>\$ (390,707)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,577,845</u></u>

Depreciation was charged to business-type activities as follows:

Water	\$ 385,291
Sewer	5,416
<b>Total Business-Type Activities Depreciation Expense</b>	<u><u>\$ 390,707</u></u>

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**D. Long-term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 3,140,110	\$ -	\$ (269,100)	\$ 2,871,010	\$ 278,905
Premium	101,374	-	(8,311)	93,063	-
Other liabilities:					
Compensated Absences	32,131	56,183	(51,541)	36,773	33,096
<b>Total Governmental Activities</b>	<u>\$ 3,273,615</u>	<u>\$ 56,183</u>	<u>\$ (328,952)</u>	<u>\$ 3,000,846</u>	<u>\$ 312,001</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 2,688,845</u>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 3,179,890	\$ -	\$ (295,900)	\$ 2,883,990	\$ 306,095
Premium	101,589	-	(9,008)	92,581	-
Other liabilities:					
Compensated Absences	16,201	22,112	(22,112)	16,201	14,581
<b>Total Business-Type Activities</b>	<u>\$ 3,297,680</u>	<u>\$ 22,112</u>	<u>\$ (327,020)</u>	<u>\$ 2,992,772</u>	<u>\$ 320,676</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 2,672,096</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

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

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
2010 General obligation refunding bonds (41%)	2.00 - 3.5%	\$ 735,950	\$ 399,750
2011 General obligation refunding bonds (52%)	2.00 - 4.00%	2,959,825	2,471,260
<b>Total Governmental Activities</b>		<b>\$ 3,695,775</b>	<b>\$ 2,871,010</b>
<b>Business-type Activities:</b>			
2010 General obligation refunding bonds (59%)	2.00 - 3.5%	\$ 1,059,050	\$ 575,250
2011 General obligation refunding bonds (48%)	2.00 - 4.00%	2,765,175	2,308,740
<b>Total Business-Type Activities</b>		<b>\$ 3,824,225</b>	<b>\$ 2,883,990</b>
<b>Total Long-Term Debt</b>			
2010 General obligation refunding bonds	2.00 - 3.5%	\$ 1,795,000	\$ 975,000
2011 General obligation refunding bonds	2.00 - 4.00%	5,725,000	4,780,000
<b>Total</b>		<b>\$ 7,520,000</b>	<b>\$ 5,755,000</b>



**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

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

Year ending September 30,	Governmental Activities			
	2010 G.O. Bonds		2011 G.O. Bonds	
	Principal	Interest	Principal	Interest
2015	90,200	12,720	188,705	80,118
2016	94,300	10,014	191,290	75,840
2017	69,700	7,185	193,875	71,025
2018	71,750	5,094	199,045	65,616
2019	73,800	2,583	204,215	59,567
2020	-	-	211,970	53,325
2021	-	-	217,140	45,802
2022	-	-	224,895	36,962
2023	-	-	237,820	27,707
2024	-	-	155,100	19,849
2025	-	-	134,420	14,294
2026	-	-	100,815	10,001
2027	-	-	103,400	6,170
2028	-	-	108,570	2,090
<b>Total</b>	<b>\$ 399,750</b>	<b>\$ 37,597</b>	<b>\$ 2,471,260</b>	<b>\$ 568,367</b>

2010 general obligation refunding bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The governmental activities portion is 41% or \$735,950 of the total \$1,795,000 issue.

2011 general obligation refunding bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The governmental activities portion is 52% or \$2,959,825 of the total \$5,725,000 issue.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

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

Year ending September 30,	Business-Type Activities			
	2010 G.O. Bonds		2011 G.O. Bonds	
	Principal	Interest	Principal	Interest
2015	129,800	18,305	176,295	74,849
2016	135,700	14,411	178,710	70,852
2017	100,300	10,340	181,125	66,355
2018	103,250	7,331	185,955	61,301
2019	106,200	3,717	190,785	55,650
2020	-	-	198,030	49,818
2021	-	-	202,860	42,790
2022	-	-	210,105	34,531
2023	-	-	222,180	25,885
2024	-	-	144,900	18,544
2025	-	-	125,580	13,354
2026	-	-	94,185	9,343
2027	-	-	96,600	5,765
2028	-	-	101,430	1,953
<b>Total</b>	<b>\$ 575,250</b>	<b>\$ 54,103</b>	<b>\$ 2,308,740</b>	<b>\$ 530,989</b>

2010 general obligation refunding bonds issued February 11, 2010, due in annual installments through July 15, 2019, bearing interest ranging from 2.0% to 3.5% payable January 15 and July 15. The business-type activities portion is 59% or \$1,059,050 of the total \$1,795,000 issue.

2011 general obligation refunding bonds issued July 13, 2011, due in annual installments through February 15, 2028, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. The business-type activities portion is 48% or \$2,765,175 of the total \$5,725,000 issue.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

The annual requirements to amortize total government-wide debt issues outstanding at year ending were as follows:

Year ending September 30,	2010 G.O. Bonds		2011 G.O. Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	220,000	31,025	365,000	154,968	585,000	185,993
2016	230,000	24,425	370,000	146,693	600,000	171,118
2017	170,000	17,525	375,000	137,380	545,000	154,905
2018	175,000	12,425	385,000	126,918	560,000	139,343
2019	180,000	6,300	395,000	115,218	575,000	121,518
2020	-	-	410,000	103,143	410,000	103,143
2021	-	-	420,000	88,593	420,000	88,593
2022	-	-	435,000	71,493	435,000	71,493
2023	-	-	460,000	53,593	460,000	53,593
2024	-	-	300,000	38,393	300,000	38,393
2025	-	-	260,000	27,648	260,000	27,648
2026	-	-	195,000	19,344	195,000	19,344
2027	-	-	200,000	11,935	200,000	11,935
2028	-	-	210,000	4,043	210,000	4,043
<b>Total</b>	<u>\$ 975,000</u>	<u>\$ 91,700</u>	<u>\$ 4,780,000</u>	<u>\$ 1,099,356</u>	<u>\$ 5,755,000</u>	<u>\$ 1,191,056</u>

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.

**E. Deferred Charge on Refunding**

A deferred charge resulting from the issuance of the 2010 and 2011 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental and business-type activities totaled \$79,865 and \$73,721, respectively. Current year amortization expense for governmental and business-type activities totaled \$5,704 and \$5,266, respectively.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**F. Customer Deposits**

The City had customer deposits of \$42,000 in the general fund as of year end. The City requires a \$1,000 refundable deposit for all new home building permits. This amount will be refunded upon completion of the project and by meeting certain criteria set by the City.

**G. Interfund Transactions**

The City had no interfund balances outstanding as of September 30, 2014.

Transfers between the primary government funds during the 2014 year were as follows:

<b>Transfer out:</b>	<b>Transfer in:</b>		<b>Total</b>
	<b>General</b>	<b>Volunteer Fire Department</b>	
General	\$ -	\$ 62,728	\$ 62,728
Debt Service	1,536	-	1,536
Waste, Sewer, & Sanitation	262,922	-	262,922
<b>Total</b>	<b>\$ 264,458</b>	<b>\$ 62,728</b>	<b>\$ 327,186</b>

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

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

	<b>Restricted</b>	<b>Committed</b>
Municipal court	* \$ 34,409	\$ -
Police seizures	685	-
Debt service	93,875	-
Fire safety	159,134	-
Capital improvements	-	104,180
<b>Total</b>	<b>\$ 288,103</b>	<b>\$ 104,180</b>

\*Restricted by enabling legislation.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**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 2,617 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. 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.

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

**D. Pension Plans**

**1. Texas Municipal Retirement Systems**

Plan Description

The City provides pension benefits for all of its eligible 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. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Contribution Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Pension Cost (ARC)	\$ 106,166	\$ 96,111	\$ 99,630
Actual Contributions Made	\$ 106,166	\$ 96,111	\$ 99,630
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation/Asset	-	-	-
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Valuation Date	Projected Unit	Projected Unit	Projected Unit
Actuarial Cost Method	Credit	Credit	Credit
Amortization Method	Level Percent of	Level Percent of	Level Percent of
	Payroll	Payroll	Payroll
GASB 25 Equivalent Single	21.5 years; closed	20.5 years; closed	22.0 years; closed
Amortization Period	period	period	period
Amortization Period for new	22 years	23 years	21 years
Gains/Losses			
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
	Market	Market	Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and	Varies by age and	Varies by age and
	service	service	service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 1,947,918
Actuarial Accrued Liability	\$ 2,749,963
Percentage Funded	71%
Annual Covered Payroll	\$ 971,060
Unfunded Actuarial Accrued Liability	\$ (802,045)
(UAAL) % of Covered Payroll	(82.6)%

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

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

Supplemental Death Benefits Plan

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

The death 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.



**City of Parker, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2014**

The City's retiree contribution rates to the TMRS SDBF for the years ended 2014, 2013 and 2012 are as follows:

<b>Plan/ Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2012	0.01%	0.01%	100.0%
2013	0.01%	0.01%	100.0%
2014	0.01%	0.01%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$103, \$97 and \$97, respectively, which equaled the required contributions each year.

**E. Deferred Compensation Plan**

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

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The City's deferred compensation plan is administered by a private corporation under contract with the City. Total participant contributions were approximately \$1,085 for the year ended September 30, 2014. The City does not contribute to the plan.

**F. Subsequent Events**

There were no material subsequent events through, the date the financial statements were issued.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

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# City of Parker, Texas

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

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Property tax	\$ 1,607,170	\$ 1,607,170	\$ 1,598,621	\$ (8,549)
Sales tax	150,000	150,000	129,197	(20,803)
Franchise and local taxes	202,500	202,500	238,171	35,671
License and permits	361,000	361,000	247,676	(113,324)
Contributions and donations	-	-	86,503	86,503
Fines and forfeitures	165,000	165,000	94,926	(70,074)
Investment income	33,000	33,000	41,008	8,008
Other revenue	15,000	15,000	224,946	209,946
<b>Total Revenues</b>	<b>2,533,670</b>	<b>2,533,670</b>	<b>2,662,084</b>	<b>128,414</b>
<b><u>Expenditures</u></b>				
Current:				
General government	741,716	718,316	507,337	210,979
Police department	785,052	785,052	722,571	62,481
Municipal court	171,256	171,256	114,680	56,576
Fire department	239,250	262,650	245,727	16,923
Building and code enforcement	96,682	96,682	91,181	5,501
Parks and recreation	6,900	6,900	1,860	5,040
Public works	554,397	554,397	464,827	89,570
City property	62,700	62,700	57,526	5,174
Capital outlay	10,100	10,100	-	10,100
<b>Total Expenditures</b>	<b>2,668,053</b>	<b>2,668,053</b>	<b>2,205,709</b>	<b>462,344</b>
<b>Revenues Over (Under)</b>	<b>(134,383)</b>	<b>(134,383)</b>	<b>456,375</b>	<b>590,758</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers out	-	-	264,458	264,458
Transfers in	-	-	(62,728)	(62,728)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>201,730</b>	<b>201,730</b>
<b>Net Change in Fund Balance</b>	<b>\$ (134,383)</b>	<b>\$ (134,383)</b>	<b>658,105</b>	<b>\$ 792,488</b>
Beginning fund balance			3,831,299	
<b>Ending Fund Balance</b>			<b>\$ 4,489,404</b>	

Notes to Required Supplementary Information

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

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**City of Parker, Texas**  
**SCHEDULE OF FUNDING PROGRESS-**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**September 30, 2014**

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Actuarial Valuation Date	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Actuarial Value of Assets	\$ 1,947,918	\$ 1,792,803	\$ 1,676,155
Actuarial Accrued Liability	\$ 2,749,963	\$ 2,390,209	\$ 2,267,887
Percentage Funded	70.8%	75.0%	73.9%
Unfunded Actuarial			
Accrued Liability	\$ 802,045	\$ 597,406	\$ 591,732
Annual Covered Payroll	\$ 971,060	\$ 968,690	\$ 983,609
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	82.6%	61.7%	60.2%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 106,166	\$ 96,111	\$ 99,630
Contributions Made	\$ 106,166	\$ 96,111	\$ 99,630
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>