

City of Parker, Florida

Financial Statements

September 30, 2016



City of Parker, Florida
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Parker, Florida

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, Florida (City), as of and for the year ended September 30, 2016, and the related notes to basic 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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 information on pages 4 through 9, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan and the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 48, the schedule of the City's proportionate share of the net pension liability – Florida Retirement System on page 49, the schedule of the City's contributions – Florida Retirement System on page 50, the schedule of the City's proportional share of the net pension liability – Health Insurance Subsidy Program on page 51, and the schedule of the City's contributions – Health Insurance Subsidy Program on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
May 5, 2017

Management's Discussion & Analysis

Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$9,190,109 (net position). Of this amount, \$244,852 is unrestricted net position for governmental activities and \$2,100,821 is unrestricted net position for business-type activities, while \$2,484,774 is invested in capital assets for governmental activities and \$3,993,360 is invested in capital assets for business-type activities, both net of related debt.
- Total net position increased by \$1,400,679. Of this amount, an increase of \$286,184 is attributable to governmental activities and an increase of \$1,114,495 is attributable to business-type activities.
- As of September 30, 2016, the general fund's unassigned fund balance was \$1,623,890 or 67 percent of total general fund expenditures.
- Governmental activities' revenues decreased to \$2,581,363 or 16 percent, while expenses for governmental activities increased by 6 percent to \$2,295,179. Business-type activities' revenues increased to \$3,008,888 or 47 percent, while business-type activities' expenses increased by 9 percent to \$1,894,393. The change in revenue for governmental activities is primarily related to a decrease in transfers from business-type activities in the current year. The change in revenue for business-type activities is primarily related to a decrease in transfers to governmental activities and an increase in capital grants in the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities, as well as the change in net position. Governmental activities are primarily supported by gross receipts taxes, utility taxes and franchise fees,

and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water and sewer charges.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City, with the difference between them reported as *net position*. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are reported separately for governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net position for the 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 expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities' expenditures include among others, general government services, public safety, highways and streets, trash, fleet and parks and recreation. Business-type activities expenses, which are financed primarily by user fees and charges, include water and sewer services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The major categories of funds found in the City's *fund financial statements* include: governmental funds and proprietary funds.

Fund financial statements provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

Fund financial statements for all governmental funds include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balance*. The City's general fund includes a *statement of revenues, expenditures, and changes in fund balance - budget and actual*. For the proprietary funds, a *statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows* are presented.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various

activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the *statement of net position*, as well as all liabilities, including capital leases and future employee benefits obligated but not yet paid by the City. The *statement of activities* includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid “doubling up” the revenues and expenditures. The *fund financial statements* provide a presentation of the City’s major funds, along with a column for all nonmajor funds, if necessary. In the case of governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

The notes to basic financial statements provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, capital assets of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

Financial Analysis of the City

The following schedule provides a summary of the assets, deferred outflows, liabilities, deferred inflows, and net position of the City at September 30, 2016 and 2015. The City is able to report positive balances in all three categories of net position, for the government as a whole, and for its governmental and business-type activities.

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
September 30,	2016	2015	2016	2015	2016	2015
Current and other						
assets	\$ 1,750,581	\$ 1,606,145	\$ 3,225,933	\$ 3,083,237	\$ 4,976,514	\$ 4,689,382
noncurrent assets	2,531,535	2,337,989	3,993,360	2,985,375	6,524,895	5,323,364
Total assets	4,282,116	3,944,134	7,219,293	6,068,612	11,501,409	10,012,746
Deferred outflows of						
resources	554,540	159,385	95,955	26,263	650,495	185,648
Current liabilities	99,072	116,786	169,434	185,462	268,506	302,248
Noncurrent liabilities	1,903,244	1,280,151	694,134	546,796	2,597,378	1,826,947
Total liabilities	2,002,316	1,396,937	863,568	732,258	2,865,884	2,129,195
Deferred inflows of						
resources	81,764	240,190	14,147	39,579	95,911	279,769
Net investment in						
capital assets	2,484,774	2,268,499	3,993,360	2,985,375	6,478,134	5,253,874
Net position – restricted	22,950	31,644	343,352	343,335	366,302	374,979
Net position –						
unrestricted	244,852	166,249	2,100,821	1,994,328	2,345,673	2,160,577
Total net position	\$ 2,752,576	\$ 2,466,392	\$ 6,437,533	\$ 5,323,038	\$ 9,190,109	\$ 7,789,430

Investment in capital assets (i.e., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (70 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending.

The balance of unrestricted net position may be used to help meet the City's ongoing obligations to citizens and creditors. As of year end, the balance in unrestricted net position is \$2,345,673.

The following schedule provides a summary of the changes in net position for the years ended September 30, 2016 and 2015.

Changes in Net Position

Year Ended	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<i>September 30,</i>						
Program revenues						
Charges for services	\$ 475,868	\$ 476,936	\$ 2,331,452	\$ 2,232,824	\$ 2,807,320	\$ 2,709,760
Operating grants/contributions	9,014	9,645	-	-	9,014	9,645
Capital grants/contributions	18,505	8,268	843,440	369,411	861,945	377,679
General revenues						
Taxes and fees	1,475,177	1,472,347	-	-	1,475,177	1,472,347
Intergovernmental	186,504	186,298	-	-	186,504	186,298
Interest	3,132	1,029	6,618	1,568	9,750	2,597
Transfers	360,097	718,000	(360,097)	(718,000)	-	-
Other	53,066	189,737	187,475	161,894	240,541	351,631
Total revenues	2,581,363	3,062,260	3,008,888	2,047,697	5,590,251	5,109,957
Expenses						
General government	396,795	428,126	-	-	396,795	428,126
Public safety	1,068,519	947,147	-	-	1,068,519	947,147
Code enforcement	90,563	98,920	-	-	90,563	98,920
Trash	223,047	232,845	-	-	223,047	232,845
Highways and streets	375,327	314,072	-	-	375,327	314,072
Fleet	44,885	39,942	-	-	44,885	39,942
Parks and recreation	96,043	100,060	-	-	96,043	100,060
Utilities	-	-	1,894,393	1,745,968	1,894,393	1,745,968
Total expenses	2,295,179	2,161,112	1,894,393	1,745,968	4,189,572	3,907,080
Change in net position	286,184	901,148	1,114,495	301,729	1,400,679	1,202,877
Beginning net position	2,466,392	1,565,244	5,323,038	5,021,309	7,789,430	6,586,553
Ending net position	\$ 2,752,576	\$ 2,466,392	\$ 6,437,533	\$ 5,323,038	\$ 9,190,109	\$ 7,789,430

Governmental activities' revenues exceeded expenses by \$286,184, while business-type activities' revenues exceeded expenses by \$1,114,495. Total revenues increased \$480,294 from the previous year.

Fifty-seven percent (57%) of the revenues for governmental activities were generated by taxes and fees, 18% were generated by charges for services, and 14% were generated by transfers. Most of the governmental resources were expended for public safety (47%), general government (17%), highways and streets (16%), and trash (10%) departments.

Charges for services provided \$2,331,452 in revenue for business-type activities.

Financial Analysis of the City's Funds

Governmental Funds

General Fund

The main operating fund of the City is the general fund. As of September 30, 2016, total assets were \$1,750,581 and total liabilities were \$59,204. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$1,623,890 while total fund balance was \$1,691,377.

The general fund budget was amended during the year and current year expenditures did not exceed the amended budget. Actual revenues and other financing sources were less than anticipated by \$319,050. Actual expenditures were less than budgeted expenditures by \$482,711.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in greater detail. The proprietary fund, which is reported as a major fund, is called the *Utility Fund* by the City.

Unrestricted net position of the proprietary fund at the end of the year was \$2,100,821.

The *Utility Fund* is used to account for the operations of the City's water and sewer systems.

Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2016, was \$6,524,895 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, and machinery and equipment.

**Capital Assets
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 515,762	\$ 515,762	\$ 449,632	\$ 449,632	\$ 965,394	\$ 965,394
Construction in progress	17,505	-	16,575	443,837	34,080	443,837
Buildings	104,797	38,247	-	-	104,797	38,247
Improvements	1,255,239	1,334,415	3,383,968	1,935,399	4,639,207	3,269,814
Machinery and equipment	638,232	449,565	143,185	156,507	781,417	606,072
Total	\$ 2,531,535	\$ 2,337,989	\$ 3,993,360	\$ 2,985,375	\$ 6,524,895	\$ 5,323,364

Additional information on the City's capital assets can be found in note 6 – Capital Assets, of the notes to basic financial statements.

This report was prepared by the City's finance department. Questions concerning this report or requests for additional information should be addressed to the City of Parker, 1001 West Park Street, Parker, Florida 32404, attention: Richard Musgrave, Mayor.

City of Parker, Florida
Statement of Net Position

September 30, 2016	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 1,364,648	\$ 1,825,908	\$ 3,190,556
Accounts receivable, net	190,232	163,776	354,008
Grants receivable	17,505	16,575	34,080
Internal balances	128,208	(128,208)	-
Inventories	30,546	-	30,546
Prepays	9,158	9,393	18,551
Investment in joint venture	-	736,371	736,371
Restricted assets			
Cash and cash equivalents	10,284	602,118	612,402
Total current assets	1,750,581	3,225,933	4,976,514
Noncurrent assets			
Capital assets			
Nondepreciable	533,267	466,207	999,474
Depreciable, net	1,998,268	3,527,153	5,525,421
Total noncurrent assets	2,531,535	3,993,360	6,524,895
Total assets	4,282,116	7,219,293	11,501,409
Deferred outflows of resources	554,540	95,955	650,495

(Continued)

See accompanying notes

City of Parker, Florida
Statement of Net Position (Continued)

September 30, 2016	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 37,702	\$ 79,862	\$ 117,564
Accrued expenses	21,502	4,339	25,841
Accrued compensated absences	16,707	3,889	20,596
Capital leases	23,161	-	23,161
Due to joint venture	-	81,344	81,344
Total current liabilities	99,072	169,434	268,506
Noncurrent liabilities			
Accrued compensated absences	66,827	15,554	82,381
Capital leases	23,600	-	23,600
Customer deposits	-	299,906	299,906
Net pension liability	1,490,528	257,917	1,748,445
Other noncurrent liabilities	-	16,575	16,575
Other postemployment benefits	322,289	104,182	426,471
Total noncurrent liabilities	1,903,244	694,134	2,597,378
Total liabilities	2,002,316	863,568	2,865,884
Deferred inflows of resources	81,764	14,147	95,911
Net position			
Net investment in capital assets	2,484,774	3,993,360	6,478,134
Restricted			
Repairs and replacements	-	294,722	294,722
Revenue bond current debt service	-	48,630	48,630
Community redevelopment agency	12,666	-	12,666
Law enforcement	10,284	-	10,284
Unrestricted	244,852	2,100,821	2,345,673
Total net position	\$ 2,752,576	\$ 6,437,533	\$ 9,190,109

See accompanying notes

**City of Parker, Florida
Statement of Activities**

Year Ended September 30, 2016	Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions/Programs								
Primary Government								
Governmental activities								
General government	\$ 396,795	\$ 69,847	\$ 4,220	\$ -	\$ (322,728)	\$ -	\$ (322,728)	
Public safety	1,068,519	8,782	4,794	1,000	(1,053,943)	-	(1,053,943)	
Code enforcement	90,563	-	-	-	(90,563)	-	(90,563)	
Trash	223,047	379,533	-	-	156,486	-	156,486	
Highways and streets	375,327	17,706	-	-	(357,621)	-	(357,621)	
Fleet	44,885	-	-	-	(44,885)	-	(44,885)	
Parks and recreation	96,043	-	-	17,505	(78,538)	-	(78,538)	
Total governmental activities	2,295,179	475,868	9,014	18,505	(1,791,792)	-	(1,791,792)	
Business-type activities								
Utility	1,894,393	2,331,452	-	843,440	-	1,280,499	1,280,499	
Total business-type activities	1,894,393	2,331,452	-	843,440	-	1,280,499	1,280,499	
Total primary government	\$ 4,189,572	\$ 2,807,320	\$ 9,014	\$ 861,945	(1,791,792)	1,280,499	(511,293)	
General revenues								
Taxes								
					502,535	-	502,535	
					21,025	-	21,025	
					88,170	-	88,170	
					118,172	-	118,172	
					401,570	-	401,570	
					335,943	-	335,943	
					7,762	-	7,762	
					186,504	-	186,504	
					1,661,681	-	1,661,681	

(Continued)

See accompanying notes

City of Parker, Florida
Statement of Activities (Continued)

	Net (Expenses) Revenues and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Year Ended September 30, 2016			
Interest earnings	\$ 3,132	\$ 6,618	\$ 9,750
Miscellaneous	53,066	187,475	240,541
Transfers	360,097	(360,097)	-
Total general revenues, interest and other revenue	2,077,976	(166,004)	1,911,972
Change in net position	286,184	1,114,495	1,400,679
Net position - beginning	2,466,392	5,323,038	7,789,430
Net position - ending	\$ 2,752,576	\$ 6,437,533	\$ 9,190,109

See accompanying notes

City of Parker, Florida
Balance Sheet
Governmental Fund

September 30, 2016	General Fund
Assets	
Cash and cash equivalents	\$ 1,364,648
Grants receivable	17,505
Accounts receivable, net	190,232
Due from other funds	128,208
Inventories	30,546
Prepays	9,158
Cash and cash equivalents - restricted	10,284
Total assets	\$ 1,750,581
Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 37,702
Accrued expenses	21,502
Total liabilities	59,204
Fund balance	
Nonspendable	
Prepays	9,158
Inventories	30,546
Restricted	
Community redevelopment agency	12,666
Law enforcement	10,284
Assigned	
Capital purchases	4,833
Unassigned	
General fund	1,623,890
Total fund balance	1,691,377
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	2,531,535
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(1,943,112)
Deferred outflows and inflows of resources are not financial resources or liabilities, and therefore, are not reported in the funds.	472,776
Net position of governmental activities	\$ 2,752,576

See accompanying notes

City of Parker, Florida
**Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund**

Year Ended September 30, 2016	General Fund
Revenues	
Taxes	
Utility tax	\$ 502,535
Business tax	21,025
Communications tax	118,172
Local option gas tax	88,170
Intergovernmental	615,378
Licenses and permits	359,494
Charges for services	407,335
Fines and forfeitures	44,559
Rents	23,959
Interest	1,709
Miscellaneous	34,710
Total revenues	2,217,046
Expenditures	
Current	
General government	374,668
Public safety	930,689
Code enforcement	88,548
Trash	186,011
Highways and streets	291,646
Fleet	31,273
Parks and recreation	93,332
Capital outlay	
General government	69,071
Public safety	296,558
Highways and streets	19,557
Fleet	3,288
Parks and recreation	9,012
Debt service	24,049
Total expenditures	2,417,702
Excess (deficit) of revenues over (under) expenditures	(200,656)
Other financing sources	
Contributions	4,220
Transfers	360,097
Total other financing sources	364,317
Net changes in fund balance	163,661
Fund balance - beginning	1,527,716
Fund balance - ending	\$ 1,691,377

See accompanying notes

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities

Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net changes in fund balance - total governmental fund (page 15)	\$ 163,661
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	201,670
The issuance of long-term debt (i.e. bonds, leases) 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 the issuance costs, premiums, discounts, and similar items when debt is 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.	22,729
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net position.	(8,124)
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 (i.e. compensated absences, net pension liabilities, and other postemployment benefits).	(93,752)
Change in net position of governmental activities (page 13)	\$ 286,184

City of Parker, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund

Year Ended September 30, 2016	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Utility tax	\$ 475,000	\$ 475,000	\$ 502,535	\$ 27,535
Business tax	-	-	21,025	21,025
Communications tax	125,000	125,000	118,172	(6,828)
Local option gas tax	80,000	80,000	88,170	8,170
Intergovernmental	549,000	566,505	615,378	48,873
Licenses and permits	321,500	321,500	359,494	37,994
Charges for services	345,000	345,000	407,335	62,335
Fines and forfeitures	-	-	44,559	44,559
Rents	-	-	23,959	23,959
Interest	-	-	1,709	1,709
Miscellaneous	307,598	321,744	34,710	(287,034)
Total revenues	2,203,098	2,234,749	2,217,046	(17,703)
Expenditures				
Current and capital outlay				
General government	695,500	725,505	443,739	281,766
Public safety	1,024,451	1,251,579	1,227,247	24,332
Code enforcement	114,664	114,664	88,548	26,116
Trash	240,340	240,340	186,011	54,329
Highways and streets	416,698	436,198	311,203	124,995
Fleet	33,176	35,901	34,561	1,340
Parks and recreation	84,901	96,226	102,344	(6,118)
Debt service	-	-	24,049	(24,049)
Total current expenditures	2,609,730	2,900,413	2,417,702	482,711
Excess (deficit) of revenues over (under) expenditures	(406,632)	(665,664)	(200,656)	465,008
Other financing sources				
Contributions	-	-	4,220	4,220
Transfers	406,632	665,664	360,097	(305,567)
Total other financing sources	406,632	665,664	364,317	(301,347)
Net changes in fund balance	-	-	163,661	163,661
Fund balance - beginning	1,527,716	1,527,716	1,527,716	-
Fund balance - ending	\$ 1,527,716	\$ 1,527,716	\$ 1,691,377	\$ 163,661

See accompanying notes

City of Parker, Florida
Statement of Net Position – Proprietary Fund

September 30, 2016	Utility Fund
Business-type Activities/Enterprise Fund	
Assets	
Current assets	
Cash and cash equivalents	\$ 1,825,908
Accounts receivable, net	163,776
Grants receivable	16,575
Prepays	9,393
Investment in joint venture	736,371
Restricted assets - cash and cash equivalents	
Customer deposits	258,766
Repair and replacement	294,722
Revenue bond current debt service	48,630
Total current assets	3,354,141
Noncurrent assets	
Capital assets	
Property, plant and equipment	6,679,019
Less accumulated depreciation	(2,685,659)
Total noncurrent assets	3,993,360
Total assets	7,347,501
Deferred outflows of resources	95,955
Liabilities	
Current liabilities	
Accounts payable	79,862
Accrued expenses	4,339
Accrued compensated absences	3,889
Due to other funds	128,208
Due to joint venture	81,344
Total current liabilities	297,642
Noncurrent liabilities	
Accrued compensated absences	15,554
Other noncurrent liabilities	16,575
Customer deposits	299,906
Net pension liability	257,917
Other postemployment benefits	104,182
Total noncurrent liabilities	694,134
Total liabilities	991,776
Deferred inflows of resources	14,147
Net position	
Net investment in capital assets	3,993,360
Restricted	
Repairs and replacements	294,722
Revenue bond current debt service	48,630
Unrestricted	2,100,821
Total net position	\$ 6,437,533

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Fund

Business-type Activities/Enterprise Fund	Utility Fund
Year Ended September 30, 2016	
Operating revenues	
Charges for services	
Water and sewer charges	\$ 2,241,897
Connection, reset and reactivation fees	20,033
Late fees	52,657
Tap fees	4,870
Impact fees	10,000
Other utility income	1,995
Total operating revenues	2,331,452
Operating expenses	
Current	
Personnel services	402,685
Communications	5,650
Contractual services	31,403
Cost of water and sewer	552,805
Debt service charges AWT	467,282
Depreciation	104,122
Fuel and lubricants	8,761
Insurance	54,402
Office supplies	737
Operating supplies	6,381
Other current charges	26,005
Postage	9,255
Printing and binding	2,003
Professional services	30,804
Public utility services	23,089
Rentals	5,749
Repairs and maintenance	133,376
Road materials and supplies	2,967
Travel and per diem	13,202
Uniforms	5,466
Total operating expenses	1,886,144
Net operating income	445,308
Nonoperating revenues (expenses)	
Interest income	6,618
Loss on asset disposal	(8,249)
Gain from joint venture	187,475
Grant revenue	843,440
Transfers	(360,097)
Total nonoperating revenues (expenses)	669,187
Changes in net position	1,114,495
Total net position - beginning	5,323,038
Total net position - ending	\$ 6,437,533

See accompanying notes

City of Parker, Florida
Statement of Cash Flows – Proprietary Fund

Business-type Activities/Enterprise Fund	Utility Fund
Year Ended September 30, 2016	
Operating activities	
Receipts from customers and users	\$ 2,578,352
Payments to suppliers and others	(1,234,331)
Payments to employees	(374,433)
Net cash provided by operating activities	969,588
Noncapital and related financing activities	
Transfers to general fund	(360,097)
Net cash used by noncapital and related financing activities	(360,097)
Capital and related financing activities	
Capital contributions - grants	843,440
Purchases of capital assets	(1,120,356)
Net cash used by capital and related financing activities	(276,916)
Investing activities	
Interest received	6,618
Net cash provided by investing activities	6,618
Net increase in cash and cash equivalents	339,193
Cash and cash equivalents - beginning	2,088,833
Cash and cash equivalents - ending	\$ 2,428,026
Classified as	
Current assets - cash and cash equivalents	\$ 1,825,908
Restricted assets - cash and cash equivalents	602,118
Cash and cash equivalents - ending	\$ 2,428,026

(Continued)

See accompanying notes

City of Parker, Florida
Statement of Cash Flows – Proprietary Fund (Continued)

Business-type Activities/Enterprise Fund	Utility Fund
Year Ended September 30, 2016	
Reconciliation of net operating income to net cash provided by operating activities	
Net operating income	\$ 445,308
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	104,122
(Increase) decrease in assets	
Accounts receivable, net	23,157
Grants receivable	216,385
Prepays	1,439
(Increase) decrease deferred outflows of resources	(69,692)
Increase (decrease) in liabilities	
Accounts payable	9,233
Accrued expenses	(3,171)
Accrued compensated absences	(145)
Due to other funds	120,930
Other noncurrent liabilities	16,575
Customer deposits	7,358
Other postemployment benefits	11,456
Net pension liability	112,065
Increase (decrease) deferred inflows of resources	(25,432)
Total adjustments	524,280
Net cash provided by operating activities	\$ 969,588
Supplemental Disclosure of Noncash Transactions	
Gain from joint venture	\$ 187,475

See accompanying notes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parker (City) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The City, incorporated pursuant to Laws of Florida, 1951, Chapter 27685, Section 5, is a political subdivision of the State of Florida and is located in Bay County. It operates under a Council/Manager form of government and provides the following services as authorized by its charter: general government, public safety (police and fire), code enforcement, trash, highways and streets, fleet, parks and recreation, and water and sewer utilities.

Component Unit – Parker Community Redevelopment Agency

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The City has one component unit as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Parker Community Redevelopment Agency (Agency) is operated by the City. The Agency was created in 2006 by City Ordinance 06-311 pursuant to Florida Statute 163.387. All of the City's council members serve as board members of the Agency. The Agency is presented as a governmental fund type with fiscal year end of September 30.

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading. The Agency's governing body is the same as the governing body of the City and the Agency provides services specifically to the Parker Community Redevelopment Area of the City. The Agency is disclosed using the blended presentation method. Complete financial statements for the Parker Community Redevelopment Agency may be obtained from the City at 1001 West Park Street, Parker, Florida 32404.

Measurement Focus and Basis of Accounting

The basic financial statements of the City are composed of the following:

Government-wide financial statements
Fund financial statements
Notes to basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, 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. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of available spendable resources. Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Basis of Presentation

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds.

Governmental Major Funds

General fund - The general fund is the general operating fund of the City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

Proprietary Major Funds

Utility fund - The utility fund is used to account for operations and activities related to the water and sewer system within the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Governmental Assets/Liabilities

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net position.

Budgets

Annual budgets are legally adopted for all governmental funds and all proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with GAAP. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Council can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Council.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Council by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Council in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column, the effects of budget amendments have been applied to original budgetary data.

Encumbrances

Encumbrance accounting is not utilized as an extension of the formal budgetary process in the governmental funds. Therefore, no provision for encumbrances has been made.

Cash and Cash Equivalents

The City considers demand deposits, certificates of deposit with maturities of up to one year, and all highly liquid debt instruments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To/From Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

Inventories

Inventories are valued at the lower of cost (using the first-in, first-out method) or net realizable value. The purchase method is used to account for inventories. Reported inventories are offset as nonspendable fund balance, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories in the general fund consist of motor fuel held for consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received by the City. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Buildings	20-50	Years
Water and sewer system	40	Years
Improvements	10-40	Years
Machinery and equipment	5-10	Years
Infrastructure	10-50	Years

Accumulated Vacation and Sick Leave

The City allows its employees to accumulate and carry over to the next calendar year up to 240 hours of vacation which is payable upon termination of employment if unused.

Sick leave is earned for each month of employment and is cumulative; however employees do not vest in unused sick leave.

Fund balance

GASB Statement 54 requires the use of the following terminology and classifications of fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2016 of \$39,704 is from prepaids and inventories which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2016 of \$22,950 is restricted by enabling legislation.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. There are no committed funds as of September 30, 2016.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for specific purposes by an authorized government body or official. The balance as of September 30, 2016 is \$4,833.

Unassigned – This category is the residual classification for the City's fund balances. The balance as of September 30, 2016 is \$1,623,890.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Net Position

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net position that is available for future periods.

Deferred outflows and inflows of resources

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or resources or inflows or resources, certain items that were previously reported as assets and liabilities.

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 applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time the City has one item that qualifies for reporting in this category. This is the deferred outflows of resources related to the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time the City has one item that qualifies for reporting in this category. This is the deferred inflows of resources related to the net pension liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

Subsequent events

Management of the City has evaluated subsequent events through May 5, 2017, the date the financial statements were available to be issued.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental funds balance sheet includes a reconciliation between *total fund balance* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of the reconciliations states, capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The details of this difference are as follows:

Cost of capital assets	\$	6,071,467
Less: accumulated depreciation		(3,539,932)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental fund</i> to arrive at <i>net position of governmental activities</i>	\$	2,531,535
<hr/> <hr/>		

Another element of that reconciliation states, long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. The details of this difference are as follows:

Compensated absences	\$	(83,534)
Other postemployment benefits		(322,289)
Net pension liability		(1,490,528)
Capital leases		(46,761)
<hr/>		
Net adjustment to decrease <i>fund balance - total governmental fund</i> to arrive at <i>net position of governmental activities</i>	\$	(1,943,112)
<hr/> <hr/>		

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states, deferred outflows and inflows of resources are not financial resources or liabilities, and therefore, are not reported in the funds. The details of this difference are as follows:

Deferred outflows of resources related to net pension liability	\$	554,540
Deferred inflows of resources related to net pension liability		(81,764)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental fund to arrive at net position of governmental activities</i>	\$	472,776
<hr/> <hr/>		

The governmental funds statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balance - total governmental fund* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay	\$	414,991
Depreciation expense		(213,321)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental fund to arrive at change in net position of governmental activities</i>	\$	201,670
<hr/> <hr/>		

Another element of that reconciliation states the issuance of long-term debt (i.e., bonds, leases) 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 debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this difference is as follows:

Principal repayments on capital leases	\$	22,729
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental fund to arrive at change in net position of governmental activities</i>	\$	22,729
<hr/> <hr/>		

Another element of the reconciliation states that the net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net position. The detail of this difference is as follows:

Loss on disposal of assets	\$	(8,124)
<hr/>		
Net adjustment to decrease <i>net change in fund balance - total governmental fund to arrive at change in net position of governmental activities</i>	\$	(8,124)
<hr/> <hr/>		

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states, 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 (i.e. compensated absences, net pension liabilities, and other postemployment benefits). The detail of this difference is as follows:

Compensated absences	\$	(5,392)
Other postemployment benefits		(36,544)
Net pension liability		(605,397)
Deferred outflows of resources		395,155
Deferred inflows of resources		158,426
<hr/>		
Net adjustment to decrease <i>net change in fund balance - total governmental fund</i> to arrive at <i>change in net position of governmental activities</i>	\$	(93,752)

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City’s funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a prorata basis.

The City’s cash and cash equivalents include demand deposits, certificates of deposit with maturities of up to one year, and all highly liquid debt instruments (including restricted assets) with an original maturity of three months or less.

Investment Policies

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02.
- Direct obligations of the U.S. Treasury.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

All time deposits held at year end were considered cash and cash equivalents for financial statement purposes. The City had no investments at September 30, 2016.

Interest Rate Risk

At September 30, 2016, the City did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2016, the City did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2016, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2016, the City did not hold any investments that were considered to be a concentration of credit risk.

NOTE 4 – ACCOUNTS RECEIVABLE

At September 30, 2016, accounts receivable in the general fund is summarized as follows:

Total accounts receivable	\$	229,622
Less: allowance for doubtful accounts		(39,390)
<hr/>		
Accounts receivable, net	\$	<u>190,232</u>

At September 30, 2016, accounts receivable in the proprietary fund is summarized as follows:

Total accounts receivable	\$	256,993
Less: allowance for doubtful accounts		(93,217)
<hr/>		
Accounts receivable, net	\$	<u>163,776</u>

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 5 – INTERFUND ACTIVITY

Internal balances at September 30, 2016, consisted of the following:

	Due from other funds	Due to other funds
General fund	\$ 128,208	\$ -
Utility fund	-	128,208
Total	\$ 128,208	\$ 128,208

The interfund balances were for the purpose of operations.

Interfund transfers during the year ended September 30, 2016, consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 360,097	\$ -
Utility fund	-	360,097
Total	\$ 360,097	\$ 360,097

The transfers to the general fund from the utility fund were for operations and to fund capital reserves.

NOTE 6 – CAPITAL ASSETS

Changes in capital assets of the governmental activities are summarized as follows:

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 515,762	\$ -	\$ -	\$ 515,762
Construction in progress	-	17,505	-	17,505
Total capital assets, not being depreciated	515,762	17,505	-	533,267
Capital assets, being depreciated				
Buildings and improvements	544,444	69,071	-	613,515
Improvements other than buildings	2,621,260	-	-	2,621,260
Machinery and equipment	2,179,154	328,415	204,144	2,303,425
Total capital assets, being depreciated	5,344,858	397,486	204,144	5,538,200

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2015	Increases	Decreases	September 30, 2016
Less accumulated depreciation				
Buildings and improvements	\$ 506,197	\$ 2,522	\$ -	\$ 508,719
Improvements other than buildings	1,286,845	79,176	-	1,366,021
Machinery and equipment	1,729,589	131,623	196,020	1,665,192
Total accumulated depreciation	3,522,631	213,321	196,020	3,539,932
Total capital assets, being depreciated (net of accumulated depreciation)	1,822,227	184,165	8,124	1,998,268
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,337,989	\$ 201,670	\$ 8,124	\$ 2,531,535

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2016:

Land	\$ 449,632
Construction in progress	16,575
Water system	2,009,984
Sewer system	3,177,858
Machinery and equipment	1,024,970
Total	6,679,019
Less: accumulated depreciation	
Water system	900,551
Sewer system	903,325
Machinery and equipment	881,783
Total accumulated depreciation	2,685,659
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 3,993,360

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Changes in capital assets of the business-type activities funds are summarized as follows:

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 449,632	\$ -	\$ -	\$ 449,632
Construction in progress	443,837	16,575	443,837	16,575
Total capital assets, not being depreciated	893,469	16,575	443,837	466,207
Capital assets, being depreciated				
Water system	1,622,293	387,691	-	2,009,984
Sewer system	2,046,196	1,140,369	8,707	3,177,858
Machinery and equipment	1,087,406	19,558	81,994	1,024,970
Total capital assets, being depreciated	4,755,895	1,547,618	90,701	6,212,812
Less accumulated depreciation				
Water system	880,744	19,807	-	900,551
Sewer system	852,346	59,686	8,707	903,325
Machinery and equipment	930,899	24,629	73,745	881,783
Total accumulated depreciation	2,663,989	104,122	82,452	2,685,659
Total capital assets, being depreciated (net of accumulated depreciation)	2,091,906	1,443,496	8,249	3,527,153
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,985,375	\$1,460,071	\$ 452,086	\$ 3,993,360

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

Governmental activities	
General government	\$ 6,202
Public safety	66,393
Trash	32,547
Highways and streets	72,645
Fleet	12,970
Parks and recreation	22,564
Total depreciation expense – governmental activities	\$ 213,321
Business-type activities	
Water system	\$ 29,746
Sewer system	74,376
Total depreciation expense – business-type activities	\$ 104,122

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 7 – CAPITAL LEASES – GOVERNMENTAL ACTIVITIES

In September 2014, the City entered into a capital lease agreement in the amount of \$116,424 to finance a trash truck. Payments of \$24,049 including interest at 1.9% are due annually until maturity at September 2018. The balance was \$46,761 at September 30, 2016.

	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016	Due Within One Year
Capital lease	\$ 69,490	\$ -	\$ 22,729	\$ 46,761	\$ 23,161

Debt service requirements to maturity on capital leases at September 30, 2016 are as follows:

<i>Year ending September 30,</i>	Principal	Interest
2017	\$ 23,161	\$ 888
2018	23,600	449
Total	\$ 46,761	\$ 1,337

The cost of capital assets acquired under capital leases is \$116,424, less accumulated depreciation of \$56,272, for a net carrying value of \$60,152 at September 30, 2016.

NOTE 8 – ACCRUED COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFIT BALANCES

Accrued compensated absences consist of the following at September 30, 2016:

	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016	Due Within One Year
Governmental activities	\$ 78,142	\$ 5,392	\$ -	\$ 83,534	\$ 16,707
Business-type activities	19,588	-	145	19,443	3,889
Total	\$ 97,730	\$ 5,392	\$ 145	\$ 102,977	\$ 20,596

City of Parker, Florida
Notes to Basic Financial Statements

**NOTE 8 – ACCRUED COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFIT BALANCES
(CONTINUED)**

Accrued other postemployment benefits consist of the following at September 30, 2016:

	Balance September 30, 2015			Balance September 30, 2016			Due Within One Year
	Additions	Deductions	Additions	Deductions	Additions	Deductions	
Governmental activities	\$ 285,745	\$ 36,544	\$ -	\$ -	\$ 322,289	\$ -	-
Business-type activities	92,726	11,456	-	-	104,182	-	-
Total	\$ 378,471	\$ 48,000	\$ -	\$ -	\$ 426,471	\$ -	-

NOTE 9 – NET POSITION RESTRICTIONS

Specific net position restrictions are summarized below as of September 30, 2016:

Governmental Fund

Community redevelopment agency	\$ 12,666
Law enforcement	10,284
Total	\$ 22,950

Proprietary Fund

Restricted for repairs and replacements	\$ 294,722
Restricted for revenue bond current debt service	48,630
Total	\$ 343,352

The amount restricted as of September 30, 2016 by enabling legislation is \$317,672.

NOTE 10 – INVESTMENT IN JOINT VENTURE

The City, in alliance with Bay County, the Cities of Springfield and Callaway, and the former Town of Cedar Grove joined efforts in 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this joint venture is to provide these services in an economical, efficient, and environmentally appropriate manner to their respective citizenry. This joint venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF), assumed ownership of the existing wastewater treatment plant and then completed construction of a new seven million gallon per day advanced wastewater treatment facility which was placed in service in 1999. The new facility was funded by a combination of conventional borrowing and State Revolving Fund loans.

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 10 – INVESTMENT IN JOINT VENTURE (CONTINUED)

MPAWTF is owned and governed by Bay County; and the Cities of Callaway, Parker and Springfield. One owner is selected by the others to be responsible for operating the MPAWTF. The owner delegated to be the operator is Bay County, Florida. The operator of the MPAWTF, in accordance with the interlocal agreement, prepares the MPAWTF’s annual budget, sets treatment rates, and collects funds sufficient to pay debt service; costs of operations and maintenance; renewal and replacement; and necessary enhancements to reserves.

The results of operations and cash flows are accounted for within the financial statements of the MPAWTF. The City’s interest in equity is reported within the City’s utility fund. As of September 30, 2016, the City’s portion of the equity in the MPAWTF was \$736,371. Complete financial statements for the MPAWTF, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

Condensed financial statements of the MPAWTF are as follows:

Statement of Net Position
September 30, 2016

Assets	
Current assets	\$ 9,880,583
Noncurrent assets	19,989,094
<hr/>	
Total assets	29,869,677
<hr/>	
Deferred outflows of resources	
Deferred loss on bond refunding	821,393
<hr/>	
Liabilities	
Current liabilities	3,784,124
Noncurrent liabilities	11,276,008
<hr/>	
Total liabilities	15,060,132
<hr/>	
Net position	\$ 15,630,938

For the year ended September 30, 2016, the City had a net gain from the joint venture in the amount of \$187,475. As of September 30, 2016, the City owes the joint venture \$81,344 for transferred collection system.

Statement of Activities
Year Ended September 30, 2016

Operating revenues	\$ 7,633,879
Operating expenses	(4,880,567)
<hr/>	
Operating income	2,753,312
Total nonoperating revenues (expenses)	(570,937)
<hr/>	
Net income before distributions to owners	2,182,375

NOTE 10 – INVESTMENT IN JOINT VENTURE (CONTINUED)

Statement of Activities (continued)
Year Ended September 30, 2016

Distributions to owners	\$ (167,837)
Change in net position	2,014,538
Net position, beginning of year	13,616,400
Net position, end of year	\$ 15,630,938

NOTE 11 – PENSION PLANS

Defined Benefit Plans

The City participates in two defined benefit pension plans (Plans) that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website at www.dms.myflorida.com.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

NOTE 11 – PENSION PLANS (CONTINUED)

Benefits Provided

Benefits under FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The employer's contribution rates as of September 30, 2016, were as follows:

	October 1, 2015 through June 30, 2016		July 1, 2016 through September 30, 2016	
	FRS	HIS	FRS	HIS
Regular class	5.60%	1.66%	5.86%	1.66%
Senior management	19.77%	1.66%	20.11%	1.66%
Special risk employee class	20.38%	1.66%	20.91%	1.66%
Elected officials	40.61%	1.66%	40.81%	1.66%
DROP plan participants	11.22%	1.66%	11.33%	1.66%

The City's contributions for the year ended September 30, 2016, were \$130,365 to the FRS and \$17,853 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2016, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2016 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2016. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

	FRS	HIS
Net pension liability	\$ 1,330,563	\$ 417,882
Proportion at:		
Current measurement date	0.005269538%	0.003585558%
Prior measurement date	0.005144687%	0.003593475%
Pension expense	\$ 183,536	\$ 33,439

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (Differences between expected and actual experience)	\$ 101,878	\$ 12,388	\$ -	\$ 952
Effect of assumptions changes or inputs	80,495	-	65,576	-
Net difference between projected and actual earnings on pension plan investments	343,934	-	211	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,839	72,144	5,881	10,427
City contributions subsequent to the measurement date	33,138	-	4,543	-
Total	\$ 574,284	\$ 84,532	\$ 76,211	\$ 11,379

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2017. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement period ending June 30,	FRS	HIS
2017	\$ 52,016	\$ 11,025
2018	52,016	11,025
2019	186,103	10,985

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Measurement period ending June 30,	FRS	HIS
2020	\$ 135,722	\$ 10,965
2021	23,035	8,287
Thereafter	7,722	8,002
	\$ 456,614	\$ 60,289

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2016, was determined by an actuarial valuation dated July 1, 2016, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.60%	N/A
Discount rate	7.60%	2.85%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2016 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2016:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.65% to 7.60%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.80% to 2.85%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.60 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.7%	4.6%
Global equity	53%	8.1%	6.8%
Real estate (property)	10%	6.4%	5.8%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.60%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	FRS		
	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 2,449,656	\$ 1,330,563	\$ 399,065
	HIS		
	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 479,406	\$ 417,882	\$ 366,821

NOTE 11 – PENSION PLANS (CONTINUED)

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2016, totaled \$3,034.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City has established the Retirees' Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has 31 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City's Council Members. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

City of Parker, Florida
Notes to Basic Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The contribution rates effective for eligible City plan members during the year are shown below:

<u>Coverage</u>	<u>Monthly Cost</u>
Retiree	\$ 720
Retiree and spouse	1,441
Retiree and children	1,333
Retiree and family	2,053

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$0 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

<u>Description</u>		
Normal cost (service cost for one year)	\$	41,000
Amortization of unfunded actuarial accrued liability		10,000
Amortization of net OPEB obligation		45,000
Annual required contribution		96,000
Interest on net OPEB obligation		15,000
Adjustment of annual required contribution		(45,000)
Annual OPEB cost (expense)		66,000
Contribution toward the OPEB cost		(18,000)
Increase in net OPEB obligation		48,000
Net OPEB obligation, beginning of year		378,471
Net OPEB obligation, end of year	\$	426,471

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2016, 2015 and 2014 was as follows:

<u>Year ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$43,000	0%	\$337,471
2015	43,000	0%	378,471
2016	66,000	0%	426,471

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funding Status and Funding Progress

The funding status and funding progress information can be found in the schedule of funding progress which is presented as required supplementary information immediately following the notes. This schedule 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.

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2016. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the projected unit credit cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4% discount rate including inflation of 2.75% per annum. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate begins with an initial rate for the 2016-17 fiscal year of 8%. It fluctuates over the years reaching a future year's rate of 5% by 2022-2023. The assumed retirement age ranged from 55 to 65 depending on hire date and position. The actuarial assumptions include assumptions that 80% of male retirees and 60% of female retirees will elect coverage for themselves and their spouses. It is also assumed that 50% of eligible employees will elect coverage until age 65 upon retirement at age 62. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2016 is 10 years.

NOTE 13 – 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; injuries to employees; and natural disasters. The City purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the past three fiscal years.

Required Supplementary Information

City of Parker, Florida
Other Postemployment Benefit Plan Schedules
Year Ended September 30, 2016

Schedule of Funding Progress for the Retirees' Health Insurance Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2009	\$ 0	\$ 615,206	\$ 615,206	0.0%	\$ 1,180,729	52%
October 1, 2013	\$ 0	\$ 278,000	\$ 278,000	0.0%	\$ 1,032,000	27%
October 1, 2016	\$ 0	\$ 482,000	\$ 482,000	0.0%	\$ 1,084,000	44%

Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan

Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2014	\$ 0	\$ 66,000	0%
2015	\$ 0	\$ 66,000	0%
2016	\$ 0	\$ 96,000	0%

See independent auditor's report

City of Parker, Florida
Schedule of the City's Proportionate Share of the Net Pension Liability –
Florida Retirement System
September 30, 2016

June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
City's proportion of the net pension liability/(asset)	0.0052695%	0.0051447%	0.0051900%	N/A						
City's proportionate share of the net pension liability/(asset)	\$ 1,330,563	\$ 664,505	\$ 316,667	N/A						
City's covered-employee payroll	1,075,508	997,344	1,035,869	N/A						
City's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	123.71%	66.63%	30.57%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	N/A						

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

City of Parker, Florida
Schedule of the City's Contributions –
Florida Retirement System
Year Ended September 30, 2016

Year ended June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
Contractually required contribution	\$ 130,365	\$ 122,941	\$ 118,115	N/A						
Contributions in relation to the contractually required contribution	(130,365)	(122,941)	(118,115)	N/A						
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	N/A						
City's covered-employee payroll	\$ 1,075,508	\$ 997,344	\$ 1,035,869							
Contributions as a percentage of covered-employee payroll	12.12%	12.33%	11.40%	N/A						

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

City of Parker, Florida
Schedule of the City's Proportionate Share of the Net Pension Liability –
Health Insurance Subsidy Program
September 30, 2016

June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
City's proportion of the net pension liability/(asset)	0.0035856%	0.0035935%	0.0037438%	N/A						
City's proportionate share of the net pension liability/(asset)	\$ 417,882	\$ 366,478	\$ 350,059	N/A						
City's covered-employee payroll	1,075,508	997,344	1,035,869	N/A						
City's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	38.85%	36.75%	33.79%	N/A						
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	N/A						

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

City of Parker, Florida
Schedule of the City's Contributions –
Health Insurance Subsidy Program
Year Ended September 30, 2016

Year ended June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
Contractually required contribution	\$ 17,853	\$ 13,543	\$ 12,592	N/A						
Contributions in relation to the contractually required contribution	(17,853)	(13,543)	(12,592)	N/A						
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	N/A						
City's covered-employee payroll	\$ 1,075,508	\$ 997,344	\$ 1,035,869							
Contributions as a percentage of covered-employee payroll	1.66%	1.36%	1.22%	N/A						

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

Compliance Section

City of Parker, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2016

State Projects	CSFA No.	Contract/ Grant Number	Expenditures
Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	37.039	14-030	\$ 775,496
Statewide Surface Water Restoration and Wastewater Projects	37.039	15-033	67,944
Total expenditures of state projects			\$ 843,440

Note:

(1) The schedule of expenditures of state financial assistance was prepared on the modified accrual basis of accounting.

City of Parker, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<u>X</u> yes	___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

State Financial Assistance

Internal control over major programs		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 10.557, Rules of the Auditor General?	___ yes	<u>X</u> no

Identification of major state programs

<u>CSFA Number</u>	<u>Name of State Financial Assistance Project</u>
37.039	Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

(Continued)

City of Parker, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2016

Section II - Financial Statement Findings

2016-001 (Initially reported in 2007) Significant Adjustments

Criteria: The requirement is for the City to prepare their financial statements in accordance with GAAP.

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to GAAP.

Recommendation: While we realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Management's response: It is not considered economically feasible for the City to invest in the additional resources that would be required for us to provide the auditors with accounting records that require no proposed audit adjustments. Adjustments needed this year were less substantial; however, because this finding includes our auditor proposing adjusting journal entries needed to convert our books from fund level modified accrual basis to the full accrual basis for the additional government-wide presentation required by GASB 34, we will likely continue to need adjusting entries. We are trying to maintain the books in a manner that reduces the number of proposed adjusting journal entries by the auditor to a minimum and we will still rely on the software, education, and research materials that CRI already possesses.

2016-002 (Initially reported in 2009) Lack of Segregation of Duties

Condition: The City does not have proper segregation of duties in many areas due to a limited number of staff and having a need to cross train staff in the event of absences.

Cause: The City has limited staff available which can lead to certain incompatible duties being performed by one person. The City has considered the costs of hiring additional staff to achieve increased segregation of duties and has determined that the costs would outweigh the derived benefits at this time.

Effect: Not having proper segregation of duties increases the possibility of undetected errors or irregularities.

Recommendation: The City should continue to evaluate the cost/benefit analysis of hiring additional staff to better segregate controls. Duties should be separated as much as possible and compensating controls should be used to compensate for the lack of segregation of duties. Monthly financial activity such as journal entries, significant account balances, bank reconciliations, bank statements and check images should be reviewed for reasonableness by an independent member of management with sufficient knowledge.

(Continued)

City of Parker, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2016

Section II - Financial Statement Findings (Continued)

Management's response: This finding relates to areas that may never be fully resolved due to the limited staff and resources of our small City. Management believes the resources necessary to eliminate the finding would include hiring additional staff which the City cannot do based on its budget. Management does not believe the investment required to eliminate this finding would provide any substantial benefit to the City. We are continually looking for opportunities to implement mitigating controls and are providing additional oversight in order to reduce any risk caused by lack of segregation of duties.

Section III - State Financial Assistance Findings

There were no findings.

Section IV - Other Issues

No summary schedule of prior audit findings is required because there were no prior audit findings related to major state financial assistance projects.

No correction action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

INDEPENDENT AUDITOR’S MANAGEMENT LETTER

Honorable Mayor and Members
of the City Council
City of Parker, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Parker, Florida (City), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 5, 2017.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated May 5, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations in the preceding annual financial report except as noted below under the heading Prior Year Findings and Recommendations.

Prior Year Findings and Recommendations

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2014-2015 Fiscal Year Finding No.	2013-2014 Fiscal Year Finding No.
2016-001	15-01	14-01
2016-002	15-02	14-02

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City is incorporated under the provisions of the State of Florida (Laws of Florida, 1951, CH. 27685, Sec. 5). There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The Parker Community Redevelopment Agency is operated by the City. The Agency was created on May 25, 2004 by City Resolution 2004-05-350 pursuant to Florida Statute 163.387.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that there are no special district component units to report in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
May 5, 2017

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

Honorable Mayor and Members
of the City Council
City of Parker, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parker, Florida (City) as of and for the year ended September 30, 2016, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2016-001 and 2016-002.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
May 5, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members
of the City Council
City of Parker, Florida

Report on Compliance for Each Major State Project

We have audited the City of Parker, Florida's (City) compliance with the types of compliance requirements described in the Florida Department of Financial Service's State Projects Compliance Supplement that could have a direct and material effect on each of the City's major State projects for the year ended September 30, 2016. City's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of State statutes, regulations, and the terms and conditions of its State awards applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, *Rules of the Auditor General* of the State of Florida. Those standards and the Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State project for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with the Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
May 5, 2017

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members
of the City Council
City of Parker, Florida

We have examined the City of Parker, Florida's (City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* during the year ended September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
May 5, 2017