

City of Parker, Florida

Financial Statements

September 30, 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the City of Parker, Florida (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Parker, Florida, as of September 30, 2007, 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 conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Panama City Beach, Florida

March 6, 2008

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 of the City exceeded total liabilities by \$7,451,078 (net assets). Of this amount, \$465,042 is unrestricted net assets for governmental activities and \$1,788,163 is unrestricted net assets for business-type activities, while \$2,850,517 is restricted net assets for governmental activities and \$2,347,356 is a restricted net asset for business-type activities.
- Total net assets decreased by \$524,771. Of this amount, \$382,479 is attributable to governmental activities and \$(907,250) is attributable to business-type activities.
- As of September 30, 2007, the general fund's unreserved fund balance was \$402,706 or 14 percent of total general fund expenditures.
- Governmental activities revenues decreased to \$2,109,485 or 14 percent, while governmental activities expenditures increased 23 percent to \$2,527,006. Business-type activities revenues decreased to \$1,578,035 or 13 percent, while business-type activities expenditures increased 7 percent to \$1,685,285.

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 assets* 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 assets of governmental activities and business-type activities, as well as the change in net assets. 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 assets* presents information on all assets and liabilities of the City, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets 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 assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and 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, sanitation, and culture and recreation. Business-type activities expenses, which are financed 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 balances*. The City's general fund includes a *statement of revenues, expenditures, and changes in fund balances-budget and actual*. For the proprietary funds, a *statement of net assets, a statement of revenues, expenses, and changes in fund net assets*, 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 assets*, as well as all liabilities, including outstanding principal on bonds, 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 non-major funds, if necessary. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, 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, investments 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, liabilities and net assets of the City at September 30, 2007 and 2006. The City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities.

Net Assets

September 30,	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 759,174	\$ 612,970	\$ 2,400,825	\$ 3,294,555	\$ 3,159,999	\$ 3,907,525
Capital assets	2,850,517	2,517,206	2,347,356	2,385,120	5,197,873	4,902,326
Total assets	3,609,691	3,130,176	4,748,181	5,679,675	8,357,872	8,809,851
Current liabilities	243,571	147,180	351,754	382,466	595,325	529,646
Noncurrent liabilities	50,561	49,916	260,908	254,440	311,469	304,356
Total liabilities	294,132	197,096	612,662	636,906	906,794	834,002
Net assets invested in capital assets, net of related debt	2,850,517	2,517,206	2,347,356	2,385,120	5,197,873	4,902,326
Net assets – unrestricted	465,042	415,874	1,788,163	2,657,649	2,253,205	3,073,523
Total net assets	\$ 3,315,559	\$ 2,933,080	\$ 4,135,519	\$ 5,042,769	\$ 7,451,078	\$ 7,975,849

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net assets (70 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that the City's investment in its capital assets is not encumbered by any debt.

The balance of *unrestricted net assets* (\$2,253,205), representing 30 percent of the City's net assets, may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets for the years ended September 30, 2007 and 2006.

Changes in Net Assets

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	\$ 516,140	\$ 313,241	\$1,510,400	\$ 1,574,628	\$ 2,026,540	\$ 1,887,869
Operating grants/contributions	31,211	118,328	-	-	31,211	118,328
Capital grants/contributions	1,189	532,788	-	-	1,189	532,788

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital grants/contributions	\$ 1,189	\$ 532,788	\$ -	\$ -	\$ 1,189	\$ 532,788
General revenues						
Taxes	1,425,771	1,418,796	-	-	1,425,771	1,418,796
Interest	14,067	24,065	110,024	-	124,091	24,065
Other	121,107	51,517	(42,389)	247,465	78,718	298,982
Transfers	800,000	-	(800,000)	-	-	-
Total revenues	2,909,485	2,458,735	778,035	1,822,093	3,687,520	4,280,828
Expenses						
General government	859,005	400,093	-	-	859,005	400,093
Public safety	940,051	874,171	-	-	940,051	874,171
Code enforcement	27,282	26,654	-	-	27,282	26,654
Sanitation	233,428	265,420	-	-	233,428	265,420
Highways and streets	331,480	307,829	-	-	331,480	307,829
Maintenance	39,234	47,024	-	-	39,234	47,024
Parks and recreation	96,526	131,198	-	-	96,526	131,198
Utilities	-	-	1,685,285	1,576,026	1,685,285	1,576,026
Total expenses	2,527,006	2,052,389	1,685,285	1,576,026	4,212,291	3,628,415
Change in net assets	382,479	406,346	(907,250)	246,067	(524,771)	652,413
Beginning net assets	2,933,080	2,526,734	5,042,769	4,796,702	7,975,849	7,323,436
Ending net assets	\$3,315,559	\$ 2,933,080	\$ 4,135,519	\$ 5,042,769	\$ 7,451,078	\$ 7,975,849

Governmental activities revenues exceeded expenses by \$382,479, while business-type activities expenses exceeded revenues by \$907,250. Total revenues decreased \$593,308 from the previous year.

49% of the revenues for governmental activities were generated by taxes, 18% were generated by charges for services, and 32% were from other income including transfers. Most of the governmental resources were expended for general government (33%), public safety (37%), and highways and streets (13%) departments.

Charges for services provided \$1,510,400 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, 2007, total assets were \$910,146 and total liabilities were \$381,901. At the end of fiscal year 2007, unreserved fund balance of the general fund was \$402,706, while total fund balance was \$528,245.

The general fund budget was amended during the year to reflect decreases in overall anticipated revenue, primarily from grants, and the corresponding decreases in associated expenditures. Actual revenues were less than anticipated by \$73,525. Actual expenditures were less than budgeted expenditures by \$235,107.

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 is reported as a major fund.

Unrestricted net assets of the proprietary fund at the end of the year were \$1,788,163.

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, 2007, was \$4,902,326 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

September 30,	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 500,524	\$ 500,524	\$ 449,632	\$ 449,632	\$ 950,156	\$ 950,156
Construction in progress	4,800	120,750	-	117,375	4,800	238,125
Buildings	149,626	165,497	141,640	134,818	291,266	300,315
Improvements	1,703,935	1,323,189	1,446,062	1,502,924	3,149,997	2,826,113
Machinery and equipment	491,632	407,246	310,022	180,371	801,654	587,617
Total	\$2,850,517	\$ 2,517,206	\$ 2,347,356	\$ 2,385,120	\$5,197,873	\$ 4,902,326

Additional information on the City's capital assets can be found in Note 7 – Capital Assets, of the notes to the 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 City of Parker, 1001 West Park Street, Parker, Florida 32404, attention: Brenda Hendricks, Mayor.

City of Parker, Florida
Statement of Net Assets
September 30, 2007

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 481,427	\$ 1,311,657	\$ 1,793,084
Accounts receivable (net of allowance for doubtful accounts)	148,244	105,140	253,384
Accrued revenue receivable	154,936	-	154,936
Internal balances	(150,972)	150,972	-
Inventory	41,972	-	41,972
Prepaid expenses	83,567	42,187	125,754
Investment in joint venture	-	18,012	18,012
Restricted assets			
Cash and cash equivalents	-	772,857	772,857
Total current assets	759,174	2,400,825	3,159,999
Noncurrent assets			
Capital assets			
Nondepreciable	505,324	449,632	954,956
Depreciable (net of accumulated depreciation)	2,345,193	1,897,724	4,242,917
Total noncurrent assets	2,850,517	2,347,356	5,197,873
Total assets	3,609,691	4,748,181	8,357,872
Liabilities			
Current liabilities			
Accounts payable	165,493	104,570	270,063
Accrued expenses	65,438	5,499	70,937
Accrued compensated absences	12,640	3,127	15,767
Due to joint venture	-	238,558	238,558
Total current liabilities	243,571	351,754	595,325
Noncurrent liabilities			
Accrued compensated absences	50,561	12,509	63,070
Customer deposits	-	248,399	248,399
Total noncurrent liabilities	50,561	260,908	311,469
Total liabilities	294,132	612,662	906,794
Net assets			
Invested in capital assets (net of related debt)	2,850,517	2,347,356	5,197,873
Unrestricted	465,042	1,788,163	2,253,205
Total net assets	\$ 3,315,559	\$ 4,135,519	\$ 7,451,078

See accompanying notes

City of Parker, Florida
Statement of Activities
Year Ended September 30, 2007

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 859,005	\$ 212,890	\$ 16,886	\$ -	\$ (629,229)	\$ -	\$ (629,229)
Public safety	940,051	-	14,325	1,189	(924,537)	-	(924,537)
Code enforcement	27,282	-	-	-	(27,282)	-	(27,282)
Sanitation	233,428	286,847	-	-	53,419	-	53,419
Highways and streets	331,480	16,403	-	-	(315,077)	-	(315,077)
Maintenance	39,234	-	-	-	(39,234)	-	(39,234)
Parks and recreation	96,526	-	-	-	(96,526)	-	(96,526)
Total governmental activities	2,527,006	516,140	31,211	1,189	(1,978,466)	-	(1,978,466)
Business-type activities							
Utility	1,685,285	1,510,400	-	-	-	(174,885)	(174,885)
Total business-type activities	1,685,285	1,510,400	-	-	-	(174,885)	(174,885)
Total primary government	\$ 4,212,291	\$ 2,026,540	\$ 31,211	\$ 1,189	(1,978,466)	(174,885)	(2,153,351)
	General revenues						
	Taxes						
					327,395	-	327,395
					296,053	-	296,053
					90,916	-	90,916
					141,950	-	141,950
					6,707	-	6,707
					199,671	-	199,671
					363,079	-	363,079
					1,425,771	-	1,425,771
					14,067	110,024	124,091
					121,107	(42,389)	78,718
					800,000	(800,000)	-
					2,360,945	(732,365)	1,628,580
					382,479	(907,250)	(524,771)
					2,933,080	5,042,769	7,975,849
					\$ 3,315,559	\$ 4,135,519	\$ 7,451,078

See accompanying notes

City of Parker, Florida
Balance Sheet
Governmental Fund
September 30, 2007

	General Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 481,427
Accrued revenue receivable	154,936
Accounts receivable (net of allowance for doubtful accounts)	148,244
Inventory	41,972
Prepaid expenses	83,567
<hr/>	
Total assets	910,146
<hr/>	
Liabilities and fund balance	
Liabilities	
Accounts payable	165,491
Accrued expenses	65,438
Due to other funds	150,972
<hr/>	
Total liabilities	381,901
<hr/>	
Fund balance	
Reserved for	
Prepaid expenses	83,567
Inventory	41,972
Unreserved, reported in	
General fund	402,706
<hr/>	
Total fund balance	528,245
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,850,515
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(63,201)
<hr/>	
Net assets of governmental activities	\$ 3,315,559

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended September 30, 2007

	General Fund
Revenues	
Taxes	
Utility	\$ 327,395
Franchise fees	296,053
Communications tax	141,950
Local option gas tax	90,916
Intergovernmental	566,110
Licenses and permits	36,992
Charges for services	311,864
Fines and forfeitures	184,389
Rents	2,865
Interest	14,067
Other fees and miscellaneous	114,893
Total revenues	2,087,494
Expenditures	
Current	
General government	826,882
Public safety	835,774
Code enforcement	26,986
Sanitation	218,130
Highways and streets	269,085
Maintenance	28,615
Parks and recreation	63,762
Capital outlay	
General government	47,380
Public safety	63,429
Highways and streets	450,888
Maintenance	998
Parks and recreation	15,101
Total expenditures	2,847,030
Excess (deficit) of revenues over (under) expenditures	(759,536)
Other financing sources (uses)	
Grants	9,455
Contributions	12,536
Transfers	800,000
Total other financing sources (uses)	821,991
Net change in fund balance	62,455
Fund balance - beginning	465,790
Fund balance - ending	\$ 528,245

See accompanying notes

City of Parker, Florida
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of Governmental
 Funds to the Statement of Activities
 Year Ended September 30, 2007

Amounts reported for governmental activities in the statement of activities (page 9) are different because:

Net change in fund balance - total governmental funds (page 11)	\$	62,455
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.		333,311
The issuance of long-term debt (compensated absences) provides current resources to governmental funds, while it has no effect on the statement of activities.		(13,287)
<hr/>		
Change in net assets of governmental activities (page 9)	\$	<u>382,479</u>

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Utility	\$ 330,300	\$ 343,300	\$ 327,395	\$ (15,905)
Franchise fees	281,000	317,000	296,053	(20,947)
Communications tax	126,083	142,000	141,950	(50)
Local option gas tax	94,296	95,000	90,916	(4,084)
Intergovernmental	595,926	596,889	566,110	(30,779)
Licenses and permits	42,100	41,200	36,992	(4,208)
Charges for services	326,553	320,130	311,864	(8,266)
Fines and forfeitures	49,000	168,000	184,389	16,389
Rents	3,800	3,000	2,865	(135)
Interest	26,000	14,000	14,067	67
Other fees and miscellaneous	10,600	112,600	114,893	2,293
Total revenues	1,885,658	2,153,119	2,087,494	(65,625)
Expenditures				
Current				
General government	594,540	972,150	874,262	97,888
Public safety	996,339	915,400	899,203	16,197
Code enforcement	42,160	30,385	26,986	3,399
Sanitation	277,616	241,975	218,130	23,845
Highways and streets	1,079,200	797,600	719,973	77,627
Maintenance	32,470	29,677	29,613	64
Parks and recreation	101,360	94,950	78,863	16,087
Debt service	29,700	-	-	-
Total current	3,153,385	3,082,137	2,847,030	235,107
Excess (deficiency) of revenues over (under) expenditures				
	(1,267,727)	(929,018)	(759,536)	169,482
Other financing sources (uses)				
Grants	460,000	14,500	9,455	(5,045)
Contributions	6,000	13,900	12,536	(1,364)
Transfers	801,727	800,000	800,000	-
Total other financing sources (uses)	1,267,727	828,400	821,991	(6,409)
Net change in fund balance	-	(100,618)	62,455	163,073
Fund balance - beginning	465,790	465,790	465,790	-
Fund Balance - ending	\$ 465,790	\$ 365,172	\$ 528,245	\$ 163,073

See accompanying notes

City of Parker, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2007

Business-type Activities/Enterprise Fund	Utility Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,311,657
Accounts receivable (net of allowance for doubtful accounts)	105,140
Due from other funds	150,972
Prepaid expenses	42,187
Investment in joint venture	18,012
Restricted assets - cash and cash equivalents	
Customer deposits	246,180
Repair and replacement	478,246
Revenue bond current debt service	48,431
Total current assets	2,400,825
Noncurrent assets	
Capital assets	
Property, plant and equipment	4,263,106
Less accumulated depreciation	(1,915,750)
Total noncurrent assets	2,347,356
Total assets	4,748,181
Liabilities	
Current liabilities	
Accounts payable	104,570
Accrued expenses	5,499
Accrued compensated absences	3,127
Due to joint venture	238,558
Total current liabilities	351,754
Noncurrent liabilities	
Accrued compensated absences	12,509
Customer deposits	248,399
Total noncurrent liabilities	260,908
Total liabilities	612,662
Net assets	
Invested in capital assets (net of related debt)	2,347,356
Unrestricted	1,788,163
Total net assets	\$ 4,135,519

See accompanying notes

City of Parker, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2007

Business-type Activities/Enterprise Fund	Utility Fund
Operating revenues	
Charges for services	
Water and sewer charges	\$ 1,432,199
Connection, reset and reactivation fees	20,068
Late fees	25,725
Tap fees	5,375
Impact fees	23,800
Other utility income	3,233
Total operating revenues	1,510,400
Operating expenses	
Current	
Personal services	370,908
Communications	7,780
Contractual services	9,536
Cost of water and sewer	350,447
Debt service charges AWT	456,678
Depreciation	119,133
Fuel and lubricants	11,653
Insurance	61,151
Office supplies	2,755
Operating supplies	5,523
Other current charges	22,132
Postage	8,191
Printing and binding	2,260
Professional services	50,852
Promotional activities	2,260
Public utility services	27,126
Rentals	4,950
Repairs and maintenance	153,522
Road materials and supplies	325
Travel and per diem	15,329
Uniforms	2,774
Total operating expenses	1,685,285
Net operating income (loss)	(174,885)
Nonoperating revenues (expenses)	
Interest income	110,024
Loss from joint venture	(42,389)
Transfers	(800,000)
Total nonoperating revenues (expenses)	(732,365)
Change in net assets	(907,250)
Total net assets - beginning	5,042,769
Total net assets - ending	\$ 4,135,519

See accompanying notes

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2007

Business-type Activities/Enterprise Fund	Utility Fund
Operating activities	
Receipts from customers and users	\$ 1,559,319
Payments to suppliers	(1,220,712)
Payments to employees	(367,800)
Net cash used by operating activities	(29,193)
Capital and related financing activities	
Payments to general fund	(901,303)
Purchase of capital assets	(81,369)
Net cash used by capital and related financing activities	(982,672)
Investing activities	
Note payments to joint venture	4,507
Distributions from joint venture	56,411
Interest received	110,024
Net cash provided by investing activities	170,942
Net decrease in cash and cash equivalents	(840,923)
Cash and cash equivalents - beginning	2,925,437
Cash and cash equivalents - ending	\$ 2,084,514
Classified as	
Current assets - cash and cash equivalents	\$ 1,311,657
Restricted assets - cash and cash equivalents	772,857
Cash and cash equivalents - ending	\$ 2,084,514

(Continued)

City of Parker, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2007

Business-type Activities/Enterprise Fund	Utility Fund
Reconciliation of net operating income (loss) to net cash used by operating activities	
Net operating income (loss)	\$ (174,885)
Adjustments to reconcile operating income (loss) to net cash used by operating activities	
Depreciation	119,133
(Increase) decrease in assets	
Accounts receivable	44,938
Prepaid expenses	10,372
Increase (decrease) in liabilities	
Accounts payable	(37,785)
Accrued expenses	1,945
Accrued compensated absences	3,108
Customer deposits	3,981
Total adjustments	145,692
Net cash used by operating activities	\$ (29,193)

See accompanying notes

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parker (the 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 of Parker, 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: public safety (police and fire), highways and streets, health, culture and recreation, public improvements, planning and zoning, general administrative services, and water and sewer utilities.

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 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. 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 expenditures.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 assets. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 assets.

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 U.S. generally accepted accounting principles. 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 129, 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 Statute.

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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “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.

Inventory

Inventory is valued using the first-in, first-out method. The purchase method is used to account for inventories. Reported inventories are offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in the general fund consists of motor fuel held for consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. 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 the 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.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

Restricted Assets

Certain assets of the various funds are required by resolutions and 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 restricted resources first, then unrestricted resources as they are needed.

Estimates

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$2,850,515 difference are as follows:

Notes to Basic Financial Statements

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

Cost of capital assets	\$	5,342,854
Less: accumulated depreciation		(2,492,339)
<hr/>		
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	2,850,515
<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 \$63,201 difference are as follows:

Compensated absences	\$	63,201
<hr/>		

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balance - total governmental funds* and *change in net assets 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 cost 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	\$	579,886
Depreciation expense		(246,575)
<hr/>		
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	333,311
<hr/>		

NOTE 3 – BUDGETS

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (GAAP).

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the City are placed in banks that qualify as 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 pro-rata basis.

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investment Policies

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

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in sec. 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 state-certified qualified public depositories as defined in sec. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The City had no investments at September 30, 2007.

Interest Rate Risks

At September 30, 2007, the City did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2007, the City did not hold any investments that were considered to be a credit risk.

Custodial Risks

At September 30, 2007, the City did not hold any deposits or investments that were considered to be a custodial risk.

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

As September 30, 2007, the City did not hold any investments that were considered to be a concentration of credit risk.

NOTE 5 – ACCOUNTS RECEIVABLE

At September 30, 2007, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$ 152,575
Less: allowance for doubtful accounts	(4,331)
<hr/>	
Net accounts receivable	\$ 148,244

At September 30, 2007, accounts receivable in the proprietary funds is summarized as follows:

Total accounts receivable	\$ 140,380
Less: allowance for doubtful accounts	(35,241)
<hr/>	
Net accounts receivable	\$ 105,140

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2007 is as follows:

Due to / from other funds:

Payable Fund	Receivable Fund	Amount
General	Utility	\$ 150,972
<hr/>		
Total due to/from other funds		\$ 150,972

The general fund owed the utility fund and \$62,816 for equipment loans and \$88,156 for operating advances.

The composition of interfund transfers during the year ended September 30, 2007 is as follows:

Transfer to / from other funds:

Transferee Fund	Transferor Fund	Amount
General	Utility	\$ 800,000
<hr/>		
Total transfer to/from other funds		\$ 800,000

The utility fund transferred \$800,000 to the general fund for budgeted operations of the general fund.

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS

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

	September 30, 2006	Increases	Decreases	September 30, 2007
Capital assets, not being depreciated				
Land	\$ 500,524	\$ -	\$ -	\$ 500,524
Construction in process	120,750	442,303	558,253	4,800
Total capital assets, not being depreciated	621,274	442,303	558,253	505,324
Capital assets, being depreciated				
Buildings and improvements	548,529	2,995	-	551,524
Improvements other than buildings	1,891,989	457,920	-	2,349,909
Machinery and equipment	1,701,176	235,637	717	1,936,096
Total capital assets, being depreciated	4,141,694	696,552	717	4,837,529
Less accumulated depreciation				
Buildings and improvements	383,032	18,866	-	401,898
Improvements other than buildings	568,800	77,174	-	645,974
Machinery and equipment	1,293,930	150,534	-	1,444,464
Total accumulated depreciation	2,245,762	246,574	-	2,492,336
Total capital assets, being depreciated (net of accumulated depreciation)	1,895,932	449,978	717	2,345,193
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 2,517,206	\$ 892,281	\$ 558,970	\$ 2,850,517

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2007:

Land	\$ 449,632
Water system	889,271
Sewer system	1,913,427
Machinery and equipment	1,010,776
Total	4,263,106

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Less: accumulated depreciation		
Water system	\$	747,631
Sewer system		467,365
Machinery and equipment		700,754
<hr/>		
Total accumulated depreciation		1,915,750
<hr/>		
Total business-type activities' capital assets (net of accumulated depreciation)	\$	2,347,356

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

	September 30, 2006	Increases	Decreases	September 30, 2007
<hr/>				
Capital assets, not being depreciated				
Land	\$ 449,632	\$ -	\$ -	\$ 449,632
Construction in process	117,375	-	117,375	-
<hr/>				
Total capital assets, not being depreciated	567,007	-	117,375	449,632
<hr/>				
Capital assets, being depreciated				
Water system	861,246	28,025	-	889,271
Sewer system	1,925,499	-	12,072	1,913,427
Machinery and equipment	827,985	182,791	-	1,010,776
<hr/>				
Total capital assets, being depreciated	3,614,730	210,816	12,072	3,813,474
<hr/>				
Less accumulated depreciation				
Water system	726,428	21,203	-	747,631
Sewer system	422,575	44,790	-	467,365
Machinery and equipment	647,614	53,140	-	700,754
<hr/>				
Total accumulated depreciation	1,796,617	119,133	-	1,915,750
<hr/>				
Total capital assets, being depreciated (net of accumulated depreciation)	1,818,113	91,683	12,072	1,897,724
<hr/>				
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,385,120	\$ 91,683	\$ 129,447	\$ 2,347,356

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities		
General government	\$	31,709
Public safety		99,639
Sanitation		16,373
Highways and streets		55,606
Maintenance		10,543
Culture and recreation		32,704
<hr/>		
Total depreciation expense – governmental activities	\$	246,574

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

Business-type activities		
Water system	\$	56,265
Sewer system		62,868
<hr/>		
Total depreciation expense – business-type activities	\$	119,133

NOTE 8 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2007:

		Total Accrued Compensated Absences
<hr/>		
General fund	\$	63,201
Utility fund		15,636
<hr/>		
Total	\$	78,837

NOTE 9 – FUND BALANCE RESERVATIONS

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of fund balance set aside by the City for contingencies.

The following is a description of reported reserves in governmental activities at September 30, 2007:

Notes to Basic Financial Statements

NOTE 9 – FUND BALANCE RESERVATIONS (CONTINUED)

General Fund

Reserved for prepaids – This reserve was created to represent that portion of fund balance expended in advance for the next budgetary period.

Reserved for inventory – This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Summary

Specific reservations of fund balances are summarized below as of September 30, 2007:

General Fund

Reserved for prepaids	\$	83,567
Reserved for inventory		41,972
<hr/>		
Total	\$	125,539

NOTE 10 – INVESTMENT IN JOINT VENTURE

The City of Parker, Florida, in alliance with Bay County, the Cities of Springfield and Callaway, and the Town of Cedar Grove joined efforts on September 27, 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 on July 20, 1999. The new facility was funded by a combination of conventional borrowing and State Revolving Fund loans.

MPAWTF is owned and governed by Bay County; the Cities of Callaway, Parker and Springfield; and the Town of Cedar Grove. 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, 2007, the City's portion of the equity in the MPAWTF was \$18,012. Complete financial statements for the joint venture, may be obtained from the Bay County Utility Services Department at 3410 Transmitter Road, Panama City, Florida 32404.

Notes to Basic Financial Statements

NOTE 10 – INVESTMENT IN JOINT VENTURE (CONTINUED)

Condensed financial statements from the MPAWTF are as follows:

**Statement of Net Assets
September 30, 2007**

Assets	
Current assets	\$ 2,241,805
Noncurrent assets	39,085,790
<hr/>	
Total assets	41,327,595
<hr/>	
Liabilities	
Current liabilities	2,558,498
Noncurrent liabilities	30,790,191
<hr/>	
Total liabilities	33,348,689
<hr/>	
Net assets	\$ 7,978,906

**Statement of Activities
Year Ended September 30, 2007**

Operating revenues	\$ 5,781,315
Operating expenses	4,198,835
<hr/>	
Operating income	1,582,480
Nonoperating revenues (expenses), net	(806,008)
<hr/>	
Net income before distributions to owners	776,472
Unused construction funds withdrawn by owners	(1,219,830)
Distributions to owners	(440,157)
<hr/>	
Change in net assets	(883,515)
<hr/>	
Net assets, beginning of year	8,862,421
<hr/>	
Net assets, end of year	\$ 7,978,906

For the year ended September 30, 2007 the City of Parker had a net loss from the joint venture in the amount of \$(42,389).

As of September 30, 2007 the joint venture owes the City \$56,411 for distributions not yet paid to owners and the City owes the joint venture \$294,969 for transferred collection system and segregation line. This has been recorded in the enterprise fund as net due to joint venture \$238,558.

Notes to Basic Financial Statements

NOTE 11 – PENSION PLAN

Plan Description and Administration

The City participates in the Florida Retirement System (FRS) which is a multiple-employer; cost-sharing retirement system established by Chapter 121, Florida Statutes. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration. The City's payroll for employees covered by the system for the year ended September 30, 2007, was \$1,054,568.

FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the State of Florida Department of Management Services, Division of Retirement, Bureau of Research, Education and Policy, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1650.

The system provides vesting of benefits after 6 years of creditable service. Members are eligible for normal retirement after attaining age 62 or 30 years of service. Generally, membership is compulsory for all full-time and part-time employees, except for elected City officials who may elect to not participate in the System. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2006 Through June 30, 2007	July 1, 2007 Through September 30, 2007
Regular employees	9.85%	9.85%
Special risk employees	20.92%	20.92%

During the year ended September 30, 2007, the City contributed \$152,562 to the system. These contributions represented 15% of covered payroll.

Three Year Trend Information

Year Ended September 30,	Annual Pension Cost (APC)	Percent of APC Contribution	Net Pension Obligation
2005	101,780	100%	-
2006	123,269	100%	-
2007	152,562	100%	-

NOTE 12 – 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 all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Compliance Section



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

We have audited the financial statements of the City of Parker, Florida (the City), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 6, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. We have also issued our Independent Auditors' 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*. Disclosures in that report, which is dated March 6, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Those rules (Section 10.554 (1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations in the preceding annual financial audit report were corrected except as noted below under the heading Status of Prior Year Recommendations.

As required by The *Rules of the Auditor General* (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that City of Parker, Florida complied with the provisions of Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Sections 10.554(1)(h)3) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures and internal controls.

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07-01 Utility Accounts Receivable (prior year 06-03)

The detailed utility accounts receivable subsidiary ledger should be reconciled monthly to the general ledger utility accounts receivable account and any and all discrepancies discovered should be resolved in a timely manner. During our audit procedures it was noted that the accounts receivable subsidiary ledger was not reconciled to the general ledger accounts receivable balance.

Management's response

The utility accounts receivable reconciliations will be performed on a timely and regular basis in the future.

07-02 Cash Deposits (prior year 06-05)

During the audit it was noted that cash deposits are being posted to the wrong accounts and cash deposits are being made without being posted. Cash deposits should be sorted into general fund and utility fund deposits and reviewed by an independent person before being taken to the bank. The reviewer should initial or otherwise document the review. In addition, a reviewer should match the deposit to the batch posting report.

Management's response

Procedures will be put into place as suggested.

Status of Prior Year Recommendations

Prior year recommendations were corrected unless noted above.

The *Rules of the Auditor General* (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal control and are not clearly inconsequential: (1) violations of laws, rules, regulations and contractual provisions that have occurred or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations or instances of fraud discovered by, or that come to the attention of, the auditor. Other than already disclosed our audit disclosed no matters that are required to be disclosed by *Rules of the Auditor General* (Sections 10.554(1)(h)4.).

The *Rules of the Auditor General* (Section 10.554(1)(h)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established under a Charter in accordance with the Laws of Florida, 1951, Chapter 27685, sections. There were no component units related to the City.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City of Parker, Florida did not meet any of the conditions described in Section 218.503 (1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City of Parker, Florida for the fiscal year ended September 30, 2007, was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with annual financial audit report for the fiscal year ended September 30, 2007.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.c.) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the City of Parker, Florida's management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Panama City Beach, Florida
March 6, 2008



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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 Commission
City of Parker, Florida

We have audited the financial statements of the governmental activities and the business-type activities of the City of Parker, Florida (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 6, 2008. 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.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Parker, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

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07-03 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

07-04 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response

Management has considered the above significant deficiencies in the City's internal control and believe the costs required to correct them would outweigh the benefits derived from implementing corrective action.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that neither of the significant deficiencies described above is a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated March 6, 2008.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City of Parker, Florida's management, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Panama City Beach, Florida
March 6, 2008