

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Crystal, Minnesota

For the
Year Ended
December 31, 2012

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For the
Year Ended
December 31, 2012

Prepared by
City of Crystal Finance Department

Charles Hansen, Finance Director
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City of Crystal
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**INTRODUCTORY
SECTION**



May 24, 2013

To the City Council and Citizens of the City of Crystal

The Comprehensive Annual Financial Report of the City of Crystal, Minnesota, for the fiscal year ended December 31, 2012, is hereby submitted. The report was prepared in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards. The report meets the requirements of the Office of the State Auditor and the City of Crystal Charter.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Kern, DeWenter, Viere, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of Government

The City, incorporated in 1960, is a northwestern suburb of the Minneapolis/St. Paul metropolitan area, lying adjacent to the City of Minneapolis. The City lies wholly within Hennepin County and encompasses an area of 5.8 square miles and serves a population of approximately 22,000 residents. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. While it also is empowered by state statute to extend its corporate limits by annexation, the City is a completely developed community and is bordered on all sides by other incorporated communities.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council) consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is also elected to serve a four-year term. The six council members are elected by section and ward; the mayor is elected at large.

The City provides its residents and businesses with a full range of services, including police protection, the construction and maintenance of streets and other infrastructure, recreational activities, building and housing inspection, health inspection, and planning and code enforcement. In addition, the City operates five enterprises for water, sewer, storm drainage, street lighting, and recycling services.

Fire protection services are provided by a joint venture with the West Metro Fire-Rescue District, and water services are provided by a joint venture with the Golden Valley, Crystal, and New Hope Joint Water Commission. Additional information on these joint ventures can be found in the notes to the financial statements. Housing and redevelopment activities are provided through a legally separate Economic Development Authority (EDA), which functions as a department of the City. The City Council serves as the board of directors of the EDA and city staff serves as the EDA staff. Therefore, it has been included as an integral part of the City's financial statements.

The annual budget serves as the foundation for the City's financial planning and control. In addition, the government maintains budgetary controls. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the city council. The level of budgetary control (i.e. the level at which expenditures cannot legally exceed the budgeted amount) is at the fund level for all fund types, with the exception of the General Fund, which is at the department level. Budget-to-actual comparisons are provided in this financial report for each individual governmental fund for which an annual budget has been adopted.

Factors Affecting Economic Condition

Local Economy

Crystal is a blue-collar, bedroom community. While it has a small amount of industry, it has a good retail sector and is part of the northwest metro area with an abundance of living wage jobs within easy commuting distance. Good schools and affordable housing make the City attractive to young families and first time home buyers.

Access to major highways is good. Hennepin County is reconstructing the portion of Hennepin County Highway 81 (Highway 81) that passes through the City. Commercial and industrial properties along the Highway 81 corridor represent major redevelopment opportunities for future growth.

The City experienced its most rapid population growth from 1950 to 1970, when the population grew from 5,700 to its peak of 30,925. Population declined after 1970, as families matured and children left home. According to the 2010 Census, Crystal's population was 22,151. The Metropolitan Council forecasts modest population growth in the older, fully developed suburbs of the Minneapolis/St. Paul metropolitan area.

The City saw significant increases in the market value of commercial/industrial and residential property until 2008. The City's estimated taxable market value decreased 4.2% from 2008 to 2009, 9.2% from 2009 to 2010, 10.1% from 2010 to 2011, and 13.3% from 2011 to 2012. Most of the 2011 to 2012 change can be attributed to a change the State of Minnesota made in the way taxable values are calculated. Table 5 in the Statistical Section provides additional information on property values.

Because the City is fully developed, redevelopment of blighted or underutilized sites is generally necessary to increase the community's tax base. The City investigates redevelopment options as they arise. The City purchased and demolished eight blighted or functionally obsolete houses during 2012. Fourteen lots acquired in 2012 and earlier years were sold to builders for construction of new homes during 2012. The City holds thirty-four lots that will be offered for sale over several years for the construction of new homes. New homes increase the City's assessed valuation and encourage additional investment in the City's neighborhoods.

In addition, the City assists homeowners in redeveloping and remodeling the current housing stock so that as a change-over from older residents occurs, younger families will be attracted to the City. The City offers a Home Improvement Incentive Rebate Program that provides up to a 15% rebate for residential home improvements. The goal is to improve the condition, quality, and desirability of the housing stock.

Long-term Financial Planning

Capital budgeting for the replacement of buildings, streets, parks, and vehicles is a major financial challenge. The City has an ongoing street reconstruction program designed to rebuild streets; add new curb, gutter and sidewalk; and add storm sewer. The street program is planned to be completed one phase/neighborhood at a time, over 16 phases. Phase 12 was built in 2012 and Phase 13 is planned for 2013.

Hennepin County is reconstructing Highway 81, a major transportation artery serving the City and the surrounding area. Hennepin County acquired property in 2009 and construction began in 2010. The City will provide a local match of approximately \$4,000,000 toward the project cost. More than half of the local match will come from a property tax supported bond issue, with the remainder from special assessments and utility funds. An annual property tax levy of over \$500,000 will be collected from 2010 through 2014 to repay the bonds.

The Major Building Replacement Fund was created in 2007 with a transfer of \$8,000,000 from the Capital Improvement Revolving Fund. The purpose of the fund is to accumulate a replacement reserve for the eventual major remodeling or replacement of the City Hall/Police Station, Fire Stations 1 & 2, Streets/Parks Garage, and Community Center. An architectural study of the Streets/Parks Garage is underway to determine a future course of action on that building. Other major building projects will be needed over the next fifteen years.

Relevant Financial Policies

It is the City's policy to maintain a fund balance in its General Fund of at least 45% of the next year's operating budget. This is needed for cash flow purposes. Property taxes and local government aid (LGA) from the State of Minnesota were 78.7% of the General Fund's revenue in 2012. The City operates on a calendar year, but half of the property taxes and LGA are received in July and the other half in December.

Major Initiatives

The City's largest tax increment financing district expired in 2009 and no further tax increments will be collected. However, the cash on hand from collections through 2009 could still be spent on eligible projects. All revenues that originated from tax increments were expended by the end of 2011 and remaining assets from other revenue sources were transferred to the Economic Development Authority in 2012.

In 2012, the City purchased Cavanagh Elementary School from the Robbinsdale School District. The school building has been demolished in preparation for development of the site. An agreement has been signed with a developer for construction of a 130-unit affordable senior housing facility.

The City continues to acquire blighted properties for demolition and resale, subsidize home improvements by current owners, and fund construction projects that enhance the City's future development.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crystal for its comprehensive annual financial report for the fiscal year ended December 31, 2011.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Due credit also should be given to the mayor and the City Council for their interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully submitted,


Anne L. Norris
City Manager


Charles Hansen
Finance Director

City of Crystal
CITY OFFICIALS
As of December 31, 2012

<u>Elected Officials</u>	<u>Term of Office</u>	<u>Term Expires</u>
Mayor - ReNae Bowman	4 Years	12/31/2012
Council Members -		
David Anderson (Section I - Wards 1 and 2)	4 Years	12/31/2012
Mark Hoffmann (Ward 1)	4 Years	12/31/2014
Joseph Selton (Ward 2)	4 Years	12/31/2014
John Budziszewski (Section II - Wards 3 and 4)	4 Years	12/31/2014
Janet Moore (Ward 3)	4 Years	12/31/2012
Julie Deshler (Ward 4)	4 Years	12/31/2012

Appointed Officials

City Manager - Anne Norris

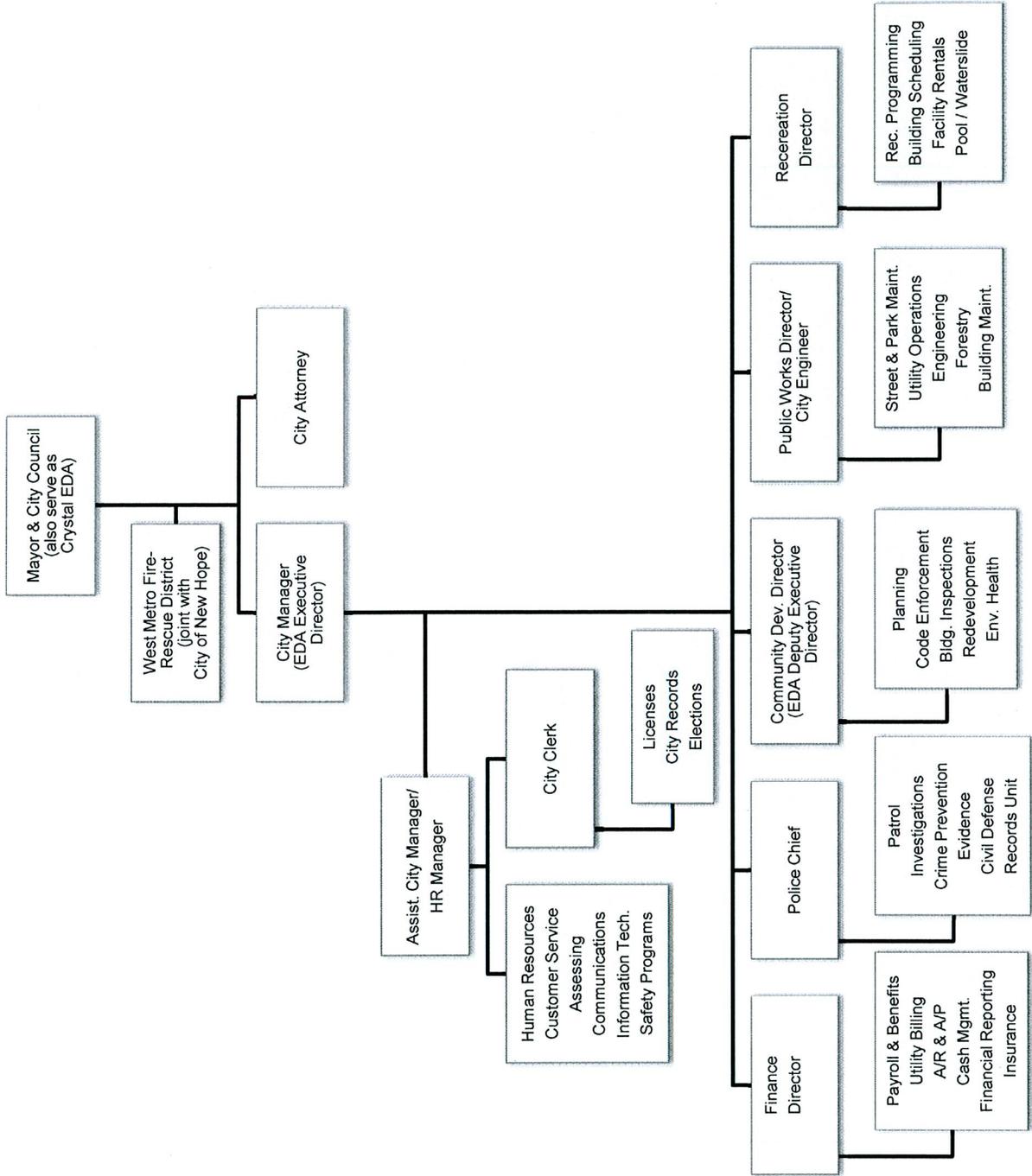
City Treasurer - Charles Hansen

City Clerk - Christina Serres

City Attorney - Kennedy & Graven, Chartered

City Prosecutor - MacMillan, Wallace, Athanases & Patera, PA

City of Crystal ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Crystal
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Merrill

President

Jeffrey R. Emer

Executive Director

**FINANCIAL
SECTION**



Expert advice. When you need it. SM

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Crystal
Crystal, Minnesota

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 City of Crystal, Minnesota, as of and for the year ended December 31, 2012, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Metro Fire-Rescue District nor the Golden Valley, Crystal, New Hope Joint Water Commission, joint ventures of the City which are disclosed in the notes to the City's financial statements, and in which the City reports an equity interest of \$ 2,743,669 and \$ 722,800, respectively. The financial statements of the District and Commission were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts disclosed for the District and Commission, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

Expert advice. When you need it. SM

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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 of Crystal, Minnesota, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparisons for the General Fund and EDA Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 63

As discussed in Note 19 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress on page 89, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 of Crystal's basic financial statements. The Introductory Section, combining and individual fund financial statements and schedules and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
May 14, 2013

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

As management of the City of Crystal (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, located previously in this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$109,635,596. Of this amount, \$54,367,027 is considered unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$2,777,179, which includes a prior period adjustment of (\$1,275,000).

At the end of the fiscal year, total fund balance for the General Fund was \$7,397,467, or 59.18% of total General Fund expenditures and transfers out.

The City's total long-term debt (excluding net OPEB obligation) increased by \$1,322,239 during the fiscal year. The City's net OPEB obligation increased by \$54,158.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the Economic Development Authority (EDA). The EDA is a legally separate entity which functions as a department of the City to provide housing and redevelopment assistance through the administration of various programs. Therefore, the EDA has been included as an integral part of the City's financial statements.

Fund Financial Statements

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

Governmental Funds –

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, EDA, Debt Service, Capital Improvement Revolving, Street Reconstruction, and Major Building Replacement funds, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

The City adopts an annual appropriated budget for all of its governmental funds. Budget-to-actual comparisons are provided in this financial report for each individual governmental fund for which an annual budget has been adopted.

Proprietary Funds –

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer, storm drainage, street lights, and recycling operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance and post employment health benefits activities. Because both of these activities predominantly benefit governmental rather than business-types functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, storm drainage, street lights, and recycling operations, all of which are reported as major funds of the City.

Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds –

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements –

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

Other Information –

Required Supplementary Information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees is presented immediately following the notes to the financial statements.

Combining and individual fund statements and schedules for nonmajor funds are presented immediately following the Required Supplementary Information.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Government-wide Financial Analysis

Net Position -

The City has 36.94% of its total net position invested in capital assets (including land, buildings and structures, improvements other than buildings, machinery and equipment, office equipment and furniture, software, vehicles and trailers, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 13.47% of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of 49.59% represents unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government and business-type activities. The same situation held true for the prior fiscal year.

A summary of the City's net position follows:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 59,765,541	\$ 58,865,089	\$ 10,171,748	\$ 10,953,546	\$ 69,937,289	\$ 69,818,635
Equity interest in joint venture	2,743,669	2,134,838	722,800	562,881	3,466,469	2,697,719
Capital assets	39,785,933	37,299,708	13,921,133	12,763,559	53,707,066	50,063,267
Total Assets	<u>102,295,143</u>	<u>98,299,635</u>	<u>24,815,681</u>	<u>24,279,986</u>	<u>127,110,824</u>	<u>122,579,621</u>
Long-term liabilities						
outstanding	13,248,849	11,683,095	102,174	90,933	13,351,023	11,774,028
Other liabilities	3,748,659	3,841,482	375,546	105,694	4,124,205	3,947,176
Total Liabilities	<u>16,997,508</u>	<u>15,524,577</u>	<u>477,720</u>	<u>196,627</u>	<u>17,475,228</u>	<u>15,721,204</u>
Net Position:						
Net investment						
in capital assets	26,574,766	25,896,999	13,921,133	12,763,559	40,495,899	38,660,558
Restricted	14,772,670	13,618,934	0	0	14,772,670	13,618,934
Unrestricted	<u>43,950,199</u>	<u>43,259,125</u>	<u>10,416,828</u>	<u>11,319,800</u>	<u>54,367,027</u>	<u>54,578,925</u>
Total Net Position	<u>\$ 85,297,635</u>	<u>\$ 82,775,058</u>	<u>\$ 24,337,961</u>	<u>\$ 24,083,359</u>	<u>\$ 109,635,596</u>	<u>\$ 106,858,417</u>

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

A summary of the City's changes in net position and revenues and expenses for 2012 and 2011 follows:

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues -						
Charges for services	\$ 1,759,032	\$ 1,741,797	\$ 5,883,686	\$ 5,612,874	\$ 7,642,718	\$ 7,354,671
Operating grants and contributions	1,164,000	1,140,876	336,103	375,631	1,500,103	1,516,507
Capital grants and contributions	6,008,708	5,750,178	1,695	938,060	6,010,403	6,688,238
General revenues -						
Property taxes	9,710,807	9,318,013	0	0	9,710,807	9,318,013
Grants and contributions not restricted to specific programs	1,478,220	1,618,291	0	0	1,478,220	1,618,291
Other	586,022	1,074,614	110,292	262,213	696,314	1,336,827
Total Revenues	<u>20,706,789</u>	<u>20,643,769</u>	<u>6,331,776</u>	<u>7,188,778</u>	<u>27,038,565</u>	<u>27,832,547</u>
Expenses:						
General government	1,992,060	2,084,038	0	0	1,992,060	2,084,038
Public safety	5,605,172	6,247,082	0	0	5,605,172	6,247,082
Public works	4,345,225	3,997,978	0	0	4,345,225	3,997,978
Parks and recreation	2,110,078	2,475,881	0	0	2,110,078	2,475,881
Community development	2,180,213	2,168,725	0	0	2,180,213	2,168,725
Interest on long-term debt	498,884	503,301	0	0	498,884	503,301
Water	0	0	3,094,744	2,930,591	3,094,744	2,930,591
Sanitary sewer	0	0	1,874,699	1,928,975	1,874,699	1,928,975
Storm drainage	0	0	782,897	600,371	782,897	600,371
Street lights	0	0	173,308	186,991	173,308	186,991
Recycling	0	0	329,106	331,918	329,106	331,918
Total Expenses	<u>16,731,632</u>	<u>17,477,005</u>	<u>6,254,754</u>	<u>5,978,846</u>	<u>22,986,386</u>	<u>23,455,851</u>
Change in Net Position Before Transfers	3,975,157	3,166,764	77,022	1,209,932	4,052,179	4,376,696
Transfers	<u>(177,580)</u>	<u>140,203</u>	<u>177,580</u>	<u>(140,203)</u>	<u>0</u>	<u>0</u>
Change in Net Position	3,797,577	3,306,967	254,602	1,069,729	4,052,179	4,376,696
Net Position - Beginning of Year	82,775,058	79,468,091	24,083,359	23,013,630	106,858,417	102,481,721
Prior Period Adjustment	<u>(1,275,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,275,000)</u>	<u>0</u>
Net Position - Beginning of Year (As Restated)	<u>81,500,058</u>	<u>79,468,091</u>	<u>24,083,359</u>	<u>23,013,630</u>	<u>105,583,417</u>	<u>102,481,721</u>
Net Position - End of Year	<u>\$ 85,297,635</u>	<u>\$ 82,775,058</u>	<u>\$ 24,337,961</u>	<u>\$ 24,083,359</u>	<u>\$ 109,635,596</u>	<u>\$ 106,858,417</u>

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Governmental Activities –

Governmental activities increased the City's governmental-type net position by \$2,522,577, or 3.05%, accounting for 90.83% of the total growth in the City's net position. The increase of \$2,522,577 includes a prior period adjustment of (\$1,275,000). Key elements of the net increase include:

- The Debt Service Fund recorded an increase of \$574,669 in its fund balance during the current fiscal year. This was primarily due to prepayment of special assessments.
- The City's equity interest in the West Metro Fire-Rescue District increased by \$608,831.

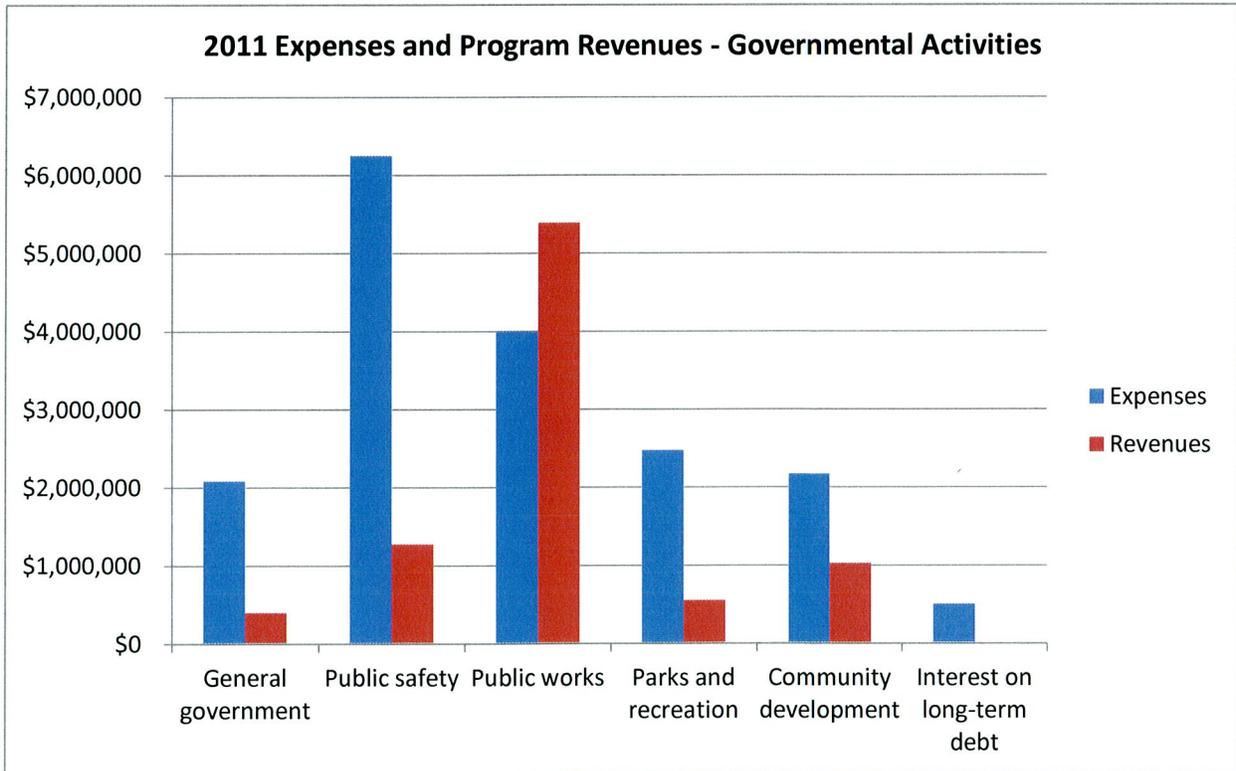
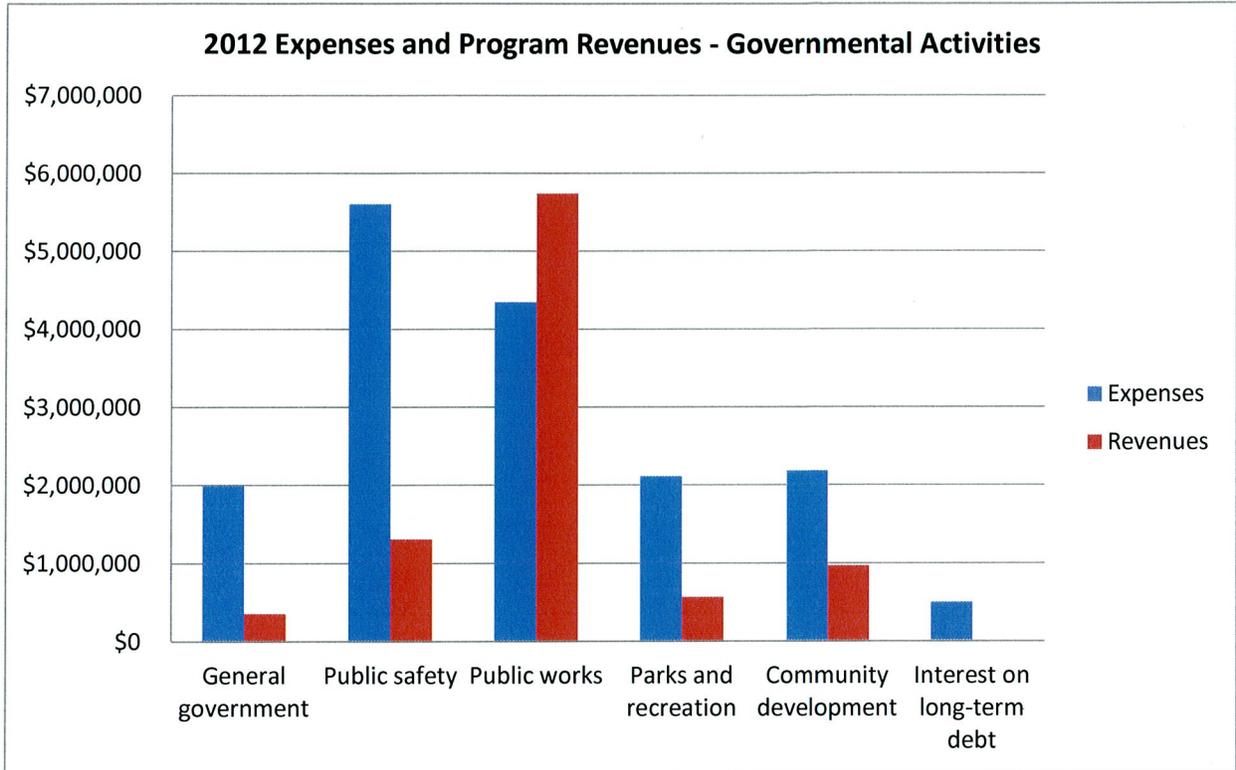
Business-type Activities –

Business-type activities increased the City's business-type net position by \$254,602, or 1.06%, accounting for 9.17% of the total growth in the City's net position.

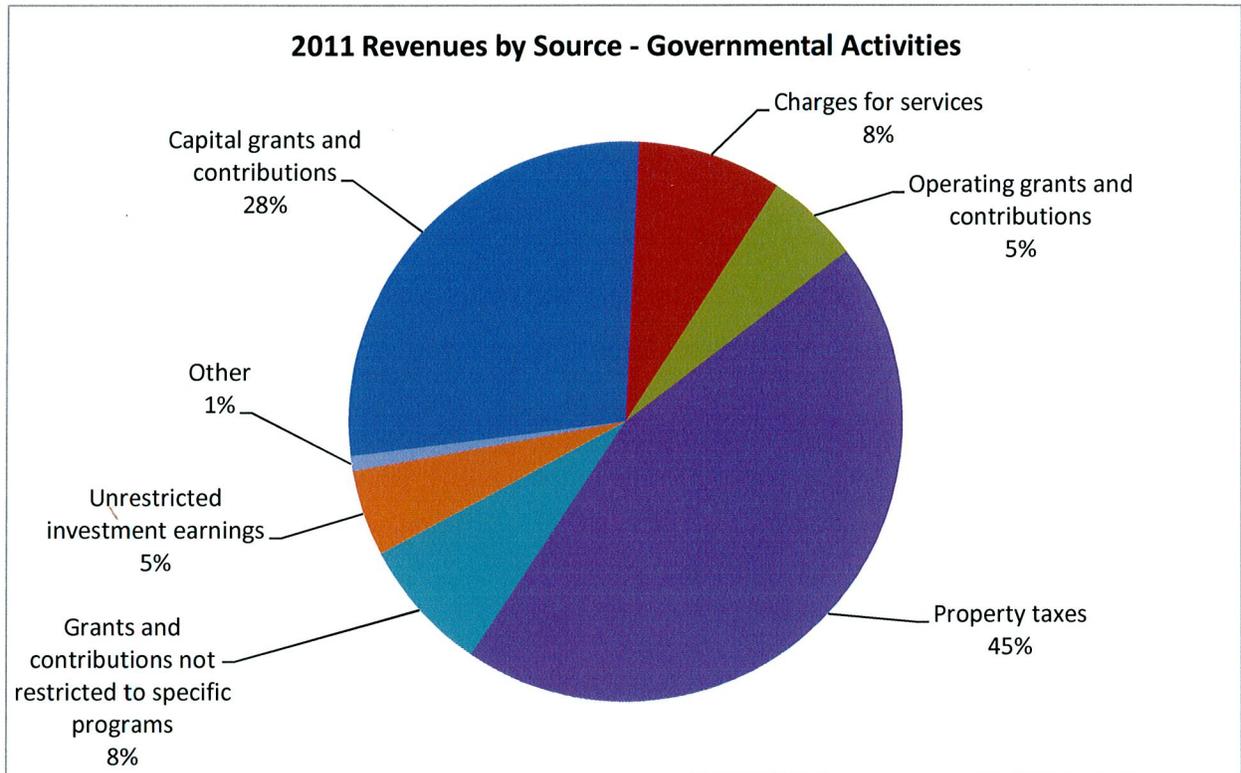
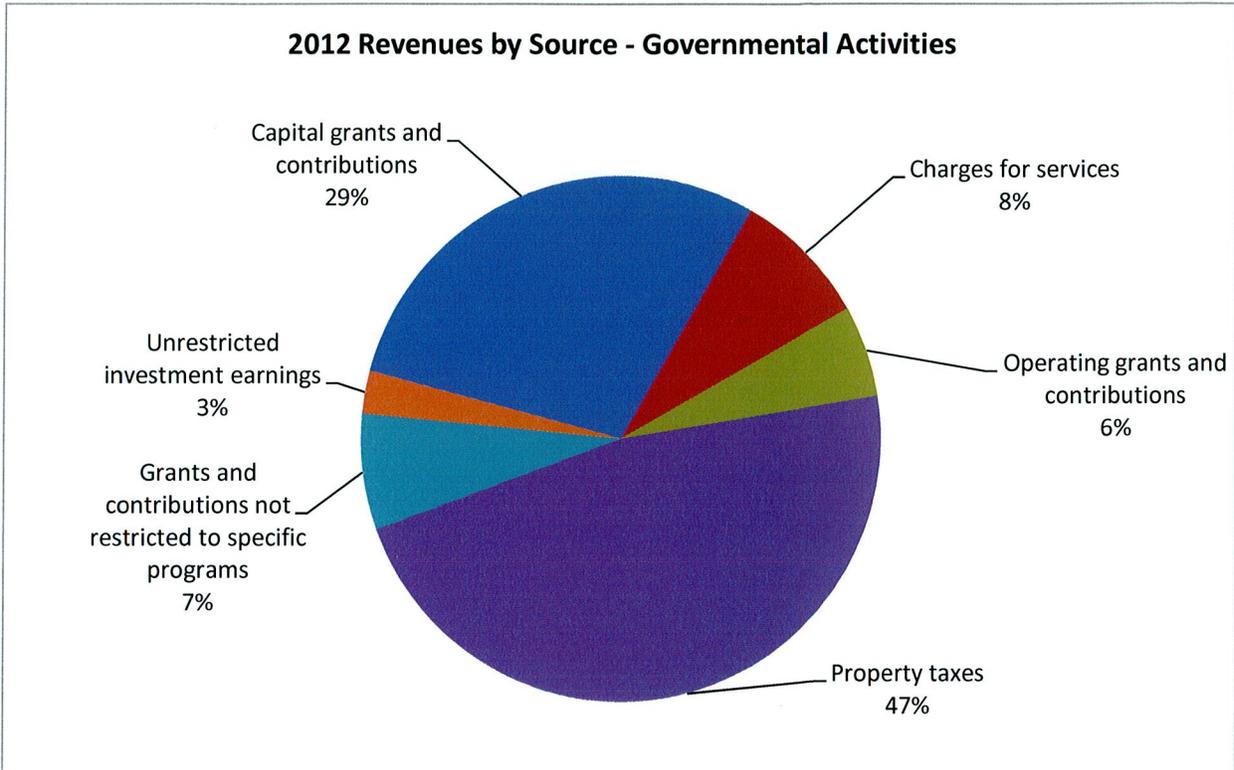
Capital assets (net of accumulated depreciation) increased by \$1,157,574. Acquisitions of new capital assets were largely offset by depreciation on capital assets and disposals of capital assets. The exception was the Storm Drainage Fund, where a significant amount of storm sewer infrastructure was added to capital assets as a result of the Phase 11 street reconstruction project.

The City Council approved a rate increase of 3.03 % for the storm drainage utility, which increased rates charged from \$9.90 per quarter for residential properties in 2011 to \$10.20 per quarter in 2012.

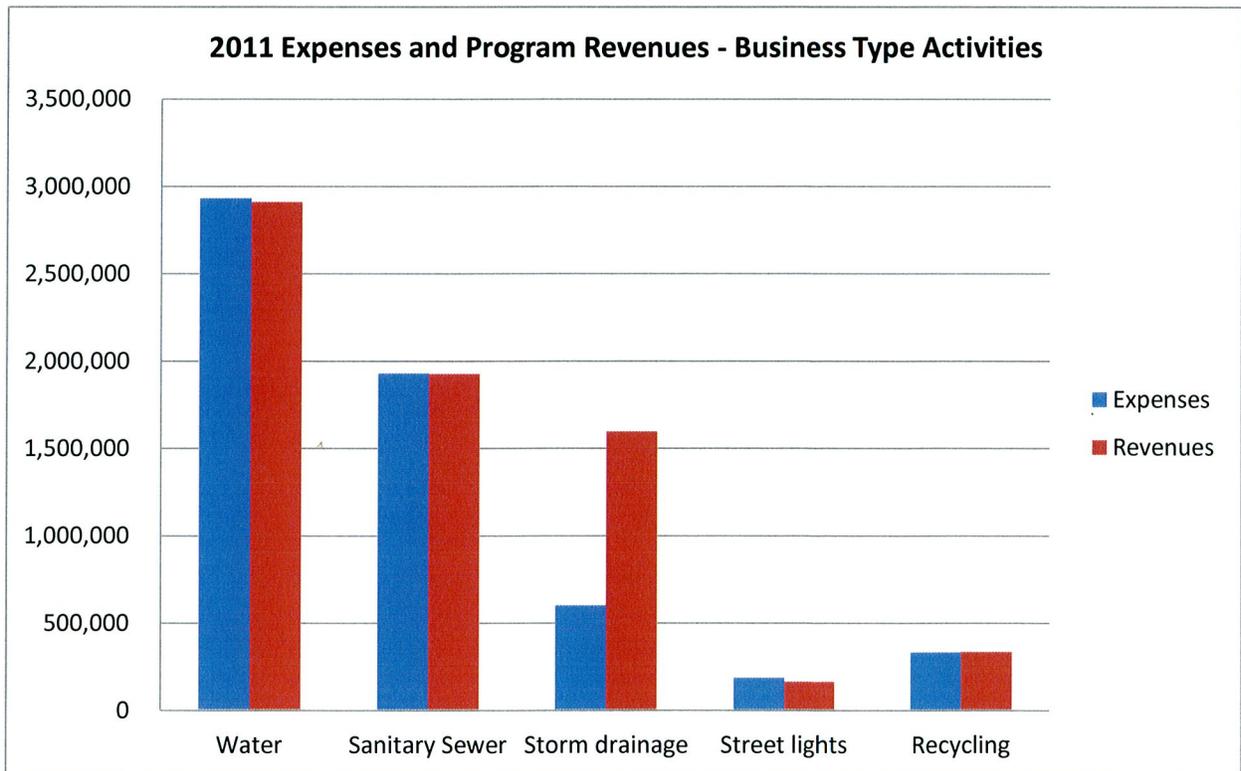
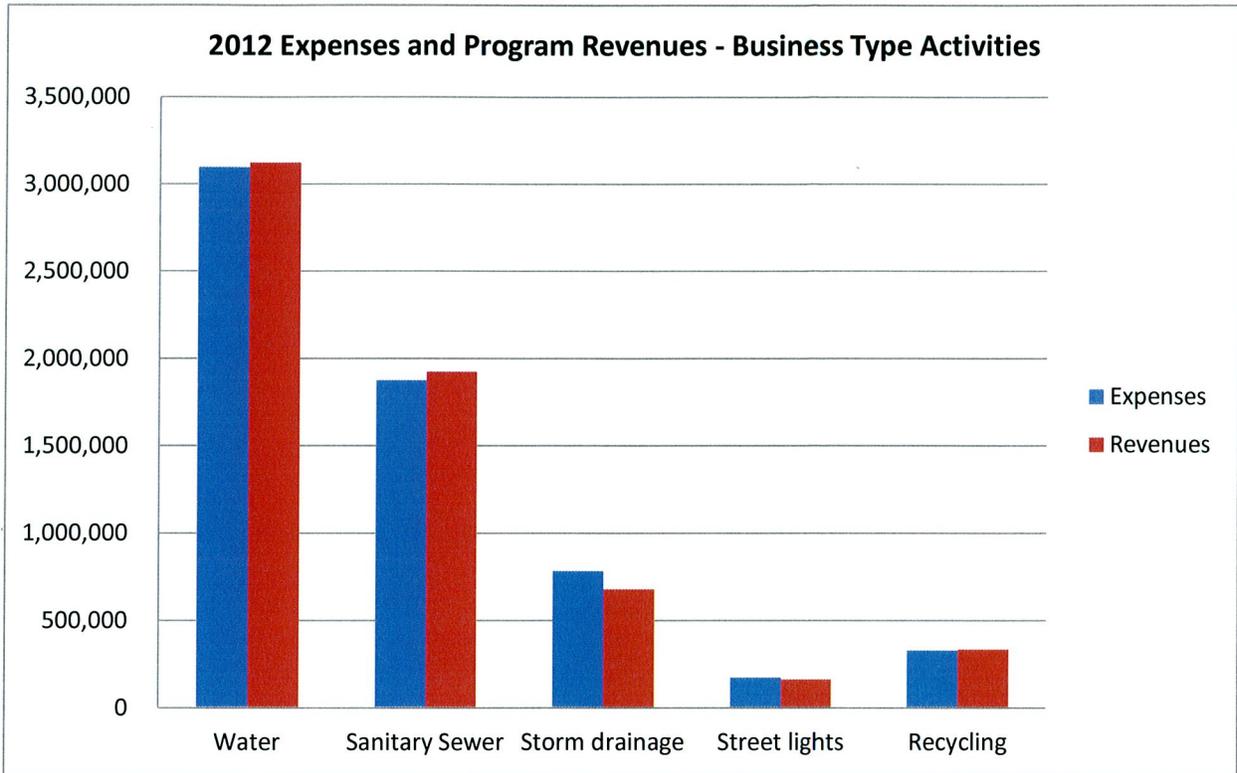
City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2012



City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2012

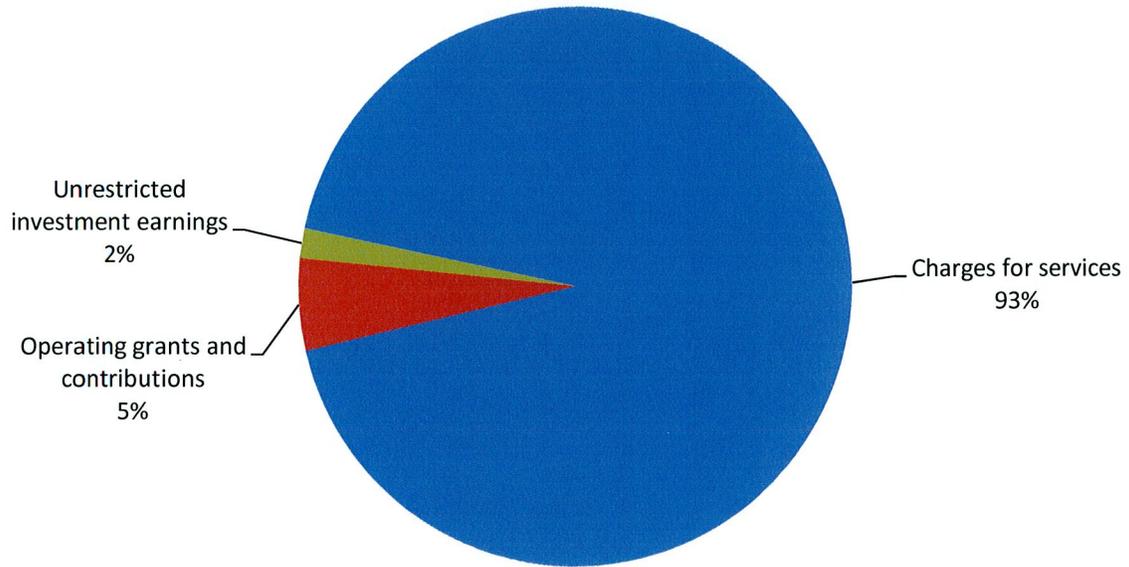


City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2012

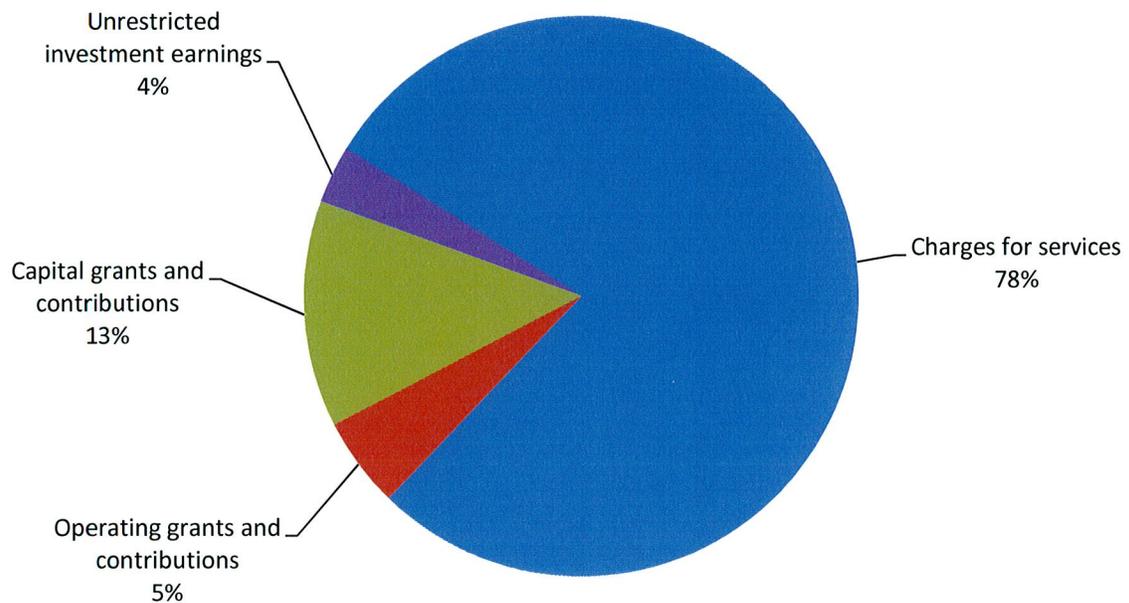


City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

2012 Revenues by Source - Business Type Activities



2011 Revenues by Source - Business Type Activities



City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Financial Analysis of the City's Funds

Governmental Funds –

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$44,624,116, a decrease of \$412,849 in comparison with the prior year.

Approximately 14.60% of this total amount (\$6,514,525) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance has been classified as restricted (\$6,080,168), committed (\$31,959,189), and assigned (\$70,234).

The General Fund is the main operating fund of the City. At the end of the fiscal year, total fund balance was \$7,397,467. Unassigned fund balance was \$6,514,525 and \$882,942 was committed for compensated absences. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 59.18% of total General Fund expenditures and transfers out. The total fund balance is slightly more than the balance called for by the City's fund balance policy. Fund balance provides working capital that supports operations until funds are received in June and July from the first current-year tax settlement.

There was a decrease of \$117,503 in the fund balance of the General Fund during the current fiscal year. Total revenues were \$214,407 higher than the final budget. Revenues for property taxes; special assessments; licenses, permits, and inspections; charges for services; and miscellaneous were higher than budget. Actual expenditures were \$265,790 less than the final budget, primarily due to employee turnover. Both the revenue and expenditure variances were higher than would normally be expected. Combined they would have produced a surplus of \$480,197, but the final 2012 General Fund budget was amended to provide for an additional transfer of \$600,000 to a capital projects fund.

The EDA Fund recorded an increase of \$216,469 in its fund balance during the current fiscal year. This increase is due to several factors, including: a transfer in of \$1,340,249 from a closed tax increment financing district; donation of land valued at \$460,723 to the City; and a prior period adjustment reducing fund balance by \$476,008, to reclassify revenue of prior periods. At the end of the fiscal year, fund balance of \$32,852 was restricted for a MURL (MN Urban and Rural Homesteading) program revolving loan. The remainder of the fund balance of \$3,754,395 was committed for economic development projects.

The Debt Service Fund has a total fund balance of \$4,405,942, all of which is reserved for the payment of debt service. The net increase in fund balance during the current fiscal year was \$574,669. For additional transaction details, refer to the Long-term Debt section located later in this Management's Discussion and Analysis, or to Notes 6 – 8 in the notes to the financial statements.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

There was an increase of \$241,345 in the fund balance of the Capital Improvement Revolving Fund during the current year. Several projects budgeted for 2012 were not completed during 2012 and will be completed in 2013. All of the fund balance of \$8,848,629 is committed.

The Street Reconstruction Fund recorded a decrease of \$1,564,940 in its fund balance during the current fiscal year. This was primarily due to a prior period adjustment for an advance of \$1,275,000 on future allotments of state aid for streets. Major construction work on Phase 12 of the 16-phase street reconstruction program and engineering design of Phase 13 were done during 2012. All of the fund balance of \$2,463,377 is committed.

The Major Building Replacement Fund has a total fund balance of \$10,308,963, all of which is committed. Activity during the year included an expenditure of \$56,354 for architectural services to study the possible replacement of the Public Works Facility and a transfer from the General Fund of \$600,000. Fund balance increased by \$663,208.

Proprietary Funds –

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

Unrestricted net position in the City's enterprise funds totaled \$10,416,828 at the end of the fiscal year. The water, sanitary sewer, storm drainage and recycling funds reported increases in net position of \$58,000, \$102,532, \$89,617 and \$6,855, respectively. The Street Lights Fund reported a decrease in net position of \$2,402. The Water utility experienced modest revenue increases as a result of higher customer demand. The Storm Drainage utility experienced modest revenue increases as a result of a rate increase. Two utilities experienced increases in expenses.

Budget Highlights

As is customary practice for the City, its budget was amended several times to reflect the occurrences of items not factored into the original budget. Significant budget amendments in the General Fund include the following:

- \$600,000 increase in the transfer to the Major Building Replacement Fund.
- \$18,500 increase in revenues and \$16,200 increase in expenditures for the concessions stand at the pool.
- \$54,900 of increases in the Human Resources, Legal, Building Inspection, Engineering, and Community Center departments to cover operating costs. These were offset by reductions of \$54,900 in the Mayor & Council, Planning & Code Enforcement, Housing Inspections, Street Maintenance, and Recreation Departments.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Capital Assets

The City's net capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$53,707,066. This balance represents a net increase of \$3,643,799 from the prior year. Additional details of capital asset activity for the year can be found in Note 5 in the notes to the financial statements. Major capital activity during the year included the following:

- Major work on Phase 12 of the ongoing street reconstruction project was undertaken during 2012.
- Park land valued at \$460,723 was donated to the City by the Economic Development Authority.
- Construction in progress as of the close of the fiscal year increased to \$5,520,682, compared to \$3,892,459 the prior year.

Long-term Debt

The City's total long-term debt increased by \$1,322,239, or 10.01%, during the fiscal year. Normal required annual payments were made on bonds payable, notes payable, and compensated absences. During 2012, the City issued G.O. Street Improvement Bonds, Series 2012A, to finance special assessments relating to Phase 12 street reconstruction.

Additional details of long-term debt activity for the year can be found in Notes 6 – 8 in the notes to the financial statements.

The City's sound financial management and strong financial position, as evidenced by favorable reserves, has earned the City an Aa2 rating from Moody's Investors Service on its G.O. debt. Moody's Investors Service last completed a rating review in 2012 with no change in the rating. The City expects to receive the Aa2 rating in the future.

State statutes limit the amount of G.O. debt a governmental entity may issued to 3% of total taxable market value. The current debt limitation for the City is \$38,782,000, which is significantly higher than the City's outstanding G.O. debt of \$1,748,886.

Economic Factors and Next Year's Budgets and Rates

Economic factors affect the preparation of annual budgets. The following factors were considered in preparing the City's budget for the 2013 fiscal year:

- Budget deficits faced in recent years by the State of Minnesota caused it to reduce the Local Government Aid (LGA) revenue payments it makes to cities. The State has now made a permanent reduction in its LGA budget, so future LGA payments should be in line with promised LGA.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

- The City is providing a local matching dollar amount for the rebuilding of Highway 81, which passes through Crystal. The rebuilding will happen in two phases continuing through 2014. Property acquisition on the first and larger of the phases occurred in 2009 and construction commenced in 2010. The City's local match is expected to total approximately \$4,000,000. Funding sources will include the utility funds for \$860,000, special assessments for \$510,000, and bond issuances for \$2,600,000, to be repaid by a property tax levy.
- The 2013 budget includes a 1.20% tax levy decrease. This decrease was offset by increases in other revenues.
- The City annually updates a five-year utility rate study reviewing operational and capital needs for each utility. For 2013, water rates increased 2.11%, sewer rates increased 1.30%, storm drainage rates increased 5.88%, and street light rates increased 3.57%. Recycling rates are unchanged.

West Metro Fire-Rescue District

The cities of Crystal and New Hope formed a joint fire department in 1998. Discussions began in 2011 about the possibility of dissolving the joint department and each city reforming its own fire department. Issues that led to these discussions have been resolved and the joint fire department will continue to operate.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Crystal
Attn: Finance Director
4141 Douglas Drive N.
Crystal, MN 55422

City of Crystal
STATEMENT OF NET POSITION
December 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$2,762,653	\$492,325	\$3,254,978
Temporarily restricted cash and cash equivalents	9,761	0	9,761
Investments	42,637,337	7,576,384	50,213,721
Accrued interest	176,439	36,127	212,566
Accounts receivable	102,005	1,270,671	1,372,676
Delinquent taxes receivable	309,950	0	309,950
Special assessments receivable	11,275,521	406,614	11,682,135
Due from other governments	285,758	312,511	598,269
Inventory	0	41,816	41,816
Other assets	0	35,300	35,300
Land held for resale	1,813,055	0	1,813,055
Notes receivable	102,384	0	102,384
Contract for deed receivable	126,498	0	126,498
Deferred charges for bond issuance costs	164,180	0	164,180
Equity interest in joint venture	2,743,669	722,800	3,466,469
Capital assets (net of accumulated depreciation, where applicable) -			
Land	3,876,867	759,062	4,635,929
Buildings and structures	4,368,284	67,173	4,435,457
Improvements other than buildings	2,793,245	181,851	2,975,096
Machinery and equipment	1,038,857	2,138,699	3,177,556
Office equipment and furniture	206,868	11,715	218,583
Software	40,072	0	40,072
Vehicles and trailers	873,002	81,583	954,585
Infrastructure	22,356,541	9,392,565	31,749,106
Construction in progress	4,232,197	1,288,485	5,520,682
Total Assets	102,295,143	24,815,681	127,110,824
LIABILITIES			
Accounts payable and other current liabilities	1,260,871	351,291	1,612,162
Interest payable	175,047	0	175,047
Unearned revenue	859,803	0	859,803
Noncurrent liabilities -			
Due within one year	1,452,938	24,255	1,477,193
Due in more than one year	12,975,057	75,962	13,051,019
Net OPEB obligation	273,792	26,212	300,004
Total Liabilities	16,997,508	477,720	17,475,228
NET POSITION			
Net investment in capital assets	26,574,766	13,921,133	40,495,899
Restricted for:			
TIF projects	1,629,415	0	1,629,415
MURL revolving fund	32,852	0	32,852
Debt service	13,064,885	0	13,064,885
Special projects	45,518	0	45,518
Unrestricted	43,950,199	10,416,828	54,367,027
Total Net Position	\$85,297,635	\$24,337,961	\$109,635,596

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

**Government-Wide
Financial Statements**

City of Crystal
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities -							
General government	\$1,992,060	\$240,501	\$81,959	\$30,744	(\$1,638,856)	\$0	(\$1,638,856)
Public safety	5,605,172	389,769	908,253	10,130	(4,297,020)	0	(4,297,020)
Public works	4,345,225	0	5,519	5,733,400	1,393,694	0	1,393,694
Parks and recreation	2,110,078	463,259	95,623	6,400	(1,544,796)	0	(1,544,796)
Community development	2,180,213	665,503	72,646	228,034	(1,214,030)	0	(1,214,030)
Interest on long-term debt	498,884	0	0	0	(498,884)	0	(498,884)
Total Governmental Activities	16,731,632	1,759,032	1,164,000	6,008,708	(7,799,892)	0	(7,799,892)
Business-type Activities -							
Water	3,094,744	2,790,363	330,988	0	0	26,607	26,607
Sanitary sewer	1,874,699	1,919,725	3,388	0	0	48,414	48,414
Storm drainage	782,897	676,265	1,354	1,695	0	(103,583)	(103,583)
Street lights	173,308	162,119	373	0	0	(10,816)	(10,816)
Recycling	329,106	335,214	0	0	0	6,108	6,108
Total Business-type Activities	6,254,754	5,883,686	336,103	1,695	0	(33,270)	(33,270)
Total Government	\$22,986,386	\$7,642,718	\$1,500,103	\$6,010,403	(7,799,892)	(33,270)	(7,833,162)
General revenues -							
Property taxes					9,710,807	0	9,710,807
Grants and contributions not restricted to specific programs					1,478,220	0	1,478,220
Unrestricted investment earnings					540,883	108,888	649,771
Gain on disposition of capital assets					45,139	1,404	46,543
Transfers					(177,580)	177,580	0
Total General Revenues and Transfers					11,597,469	287,872	11,885,341
Change In Net Position					3,797,577	254,602	4,052,179
Net Position - Beginning of Year					82,775,058	24,083,359	106,858,417
Prior Period Adjustment					(1,275,000)	0	(1,275,000)
Net Position - Beginning of Year (As Restated)					81,500,058	24,083,359	105,583,417
Net Position - End of Year					\$85,297,635	\$24,337,961	\$109,635,596

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

**Fund Financial
Statements**

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City of Crystal
BALANCE SHEET
Governmental Funds
December 31, 2012

	General	EDA - Special Revenue	Debt Service	Capital Improvement Revolving - Capital Projects
ASSETS				
Cash and cash equivalents	\$465,465	\$121,313	\$266,700	\$530,369
Temporarily restricted cash and cash equivalents	9,761	0	0	0
Investments	7,291,478	1,866,887	4,104,253	8,161,841
Accrued interest	25,695	13,555	14,059	35,103
Accounts receivable	96,035	4,598	0	1,372
Delinquent taxes receivable	250,025	8,311	18,055	0
Special assessments receivable	247,344	0	8,815,935	530,751
Due from other governments	98,056	14,926	20,930	138,438
Land held for resale	0	1,813,055	0	0
Notes receivable	0	102,384	0	0
Contract for deed receivable	0	126,498	0	0
TOTAL ASSETS	<u>\$8,483,859</u>	<u>\$4,071,527</u>	<u>\$13,239,932</u>	<u>\$9,397,874</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$141,547	\$34,398	\$0	\$18,494
Due to other governments	85,665	1,825	0	0
Accrued salaries and wages	269,132	9,786	0	0
Deposits payable	9,761	1,078	0	0
Contracts payable	0	0	0	0
Retainage payable	0	0	0	0
Deferred revenue	580,287	237,193	8,833,990	530,751
Total Liabilities	1,086,392	284,280	8,833,990	549,245
Fund Balances:				
Restricted	0	32,852	4,405,942	0
Committed	882,942	3,754,395	0	8,848,629
Assigned	0	0	0	0
Unassigned	6,514,525	0	0	0
Total Fund Balances	<u>7,397,467</u>	<u>3,787,247</u>	<u>4,405,942</u>	<u>8,848,629</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$8,483,859</u>	<u>\$4,071,527</u>	<u>\$13,239,932</u>	<u>\$9,397,874</u>

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

Street Reconstruction - Capital Projects	Major Building Replacement - Capital Projects	Other Governmental Funds	Total Governmental Funds
\$221,146	\$626,964	\$453,493	\$2,685,450
0	0	0	9,761
3,403,223	9,648,347	6,973,220	41,449,249
16,751	39,668	26,883	171,714
0	0	0	102,005
0	0	33,559	309,950
1,501,605	0	179,886	11,275,521
1,175	0	12,233	285,758
0	0	0	1,813,055
0	0	0	102,384
0	0	0	126,498
<u>\$5,143,900</u>	<u>\$10,314,979</u>	<u>\$7,679,274</u>	<u>\$58,331,345</u>

\$133,305	\$6,016	\$50,340	\$384,100
0	0	2,998	90,488
0	0	0	278,918
0	0	0	10,839
12,846	0	0	12,846
255,882	0	0	255,882
2,278,490	0	213,445	12,674,156
2,680,523	6,016	266,783	13,707,229
0	0	1,641,374	6,080,168
2,463,377	10,308,963	5,700,883	31,959,189
0	0	70,234	70,234
0	0	0	6,514,525
<u>2,463,377</u>	<u>10,308,963</u>	<u>7,412,491</u>	<u>44,624,116</u>
<u>\$5,143,900</u>	<u>\$10,314,979</u>	<u>\$7,679,274</u>	<u>\$58,331,345</u>

City of Crystal
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$44,624,116

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are included in net position but are excluded from fund balances because they do not represent financial resources.

Cost of capital assets	\$75,426,877	
Less: accumulated depreciation	<u>(35,640,944)</u>	
		39,785,933

Certain revenues are included in net position but are excluded from fund balances until they are available to liquidate liabilities of the current period.

Deferred revenue relating to:		
Delinquent taxes	309,950	
Special assessments	11,275,521	
Notes receivable	102,384	
Contract for deed receivable	<u>126,498</u>	
		11,814,353

Long-term liabilities are included in net position but are excluded from fund balances until due and payable.

Deferred charges for bond issuance costs	164,180	
Premium on debt	(68,635)	
Discount on debt	77,549	
Accrued interest payable	(175,047)	
Bonds payable	(13,518,886)	
Note payable	(35,081)	
Compensated absences	(882,942)	
Net OPEB obligation	<u>(273,792)</u>	
		(14,712,654)

Internal service funds are used by management to charge the costs of insurance and post employment health benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

1,042,218

Equity interests in underlying capital assets of joint ventures associated with governmental funds are not reported in such funds because they do not represent financial assets.

Equity interest in joint venture - West Metro Fire-Rescue District		<u>2,743,669</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$85,297,635

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

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City of Crystal
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2012

	General	EDA - Special Revenue	Debt Service	Capital Improvement Revolving - Capital Projects
REVENUES				
Property taxes	\$8,284,782	\$310,352	\$742,899	\$0
Special assessments	279,813	0	1,580,280	193,306
Licenses, permits and inspections	670,162	0	0	0
Intergovernmental	1,754,976	13,524	0	85,984
Charges for sales and/or services	654,918	166,443	0	70
Administrative services provided to other funds	278,835	0	0	0
Fines and forfeitures	291,963	0	0	0
Interest	98,751	48,715	57,121	135,009
Net increase (decrease) in fair value of investments	(21,380)	(9,217)	(11,698)	(29,209)
Miscellaneous	90,127	15,000	0	30,744
Total Revenues	12,382,947	544,817	2,368,602	415,904
EXPENDITURES				
Current -				
General government	2,023,314	0	0	0
Public safety	5,364,598	0	0	0
Public works	1,082,726	0	0	0
Parks and recreation	1,966,259	0	0	0
Community development	620,853	529,599	0	0
Capital outlay	0	671,868	0	929,245
Debt service -				
Principal	0	0	1,399,109	0
Interest and other fees	0	0	394,824	0
Total Expenditures	11,057,750	1,201,467	1,793,933	929,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,325,197	(656,650)	574,669	(513,341)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	0	0	0	0
Premium on bonds issued	0	0	0	0
Proceeds from sale of property and equipment	0	0	0	22,027
Transfers in	0	1,349,127	0	732,659
Transfers out	(1,442,700)	0	0	0
Total Other Financing Sources (Uses)	(1,442,700)	1,349,127	0	754,686
NET CHANGE IN FUND BALANCES	(117,503)	692,477	574,669	241,345
FUND BALANCES - BEGINNING OF YEAR	7,514,970	3,570,778	3,831,273	8,607,284
Prior period adjustment	0	(476,008)	0	0
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	7,514,970	3,094,770	3,831,273	8,607,284
FUND BALANCES - END OF YEAR	\$7,397,467	\$3,787,247	\$4,405,942	\$8,848,629

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

Street Reconstruction - Capital Projects	Major Building Replacement - Capital Projects	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$376,558	\$9,714,591
1,449,246	0	37,387	3,540,032
0	0	0	670,162
630,682	0	23,285	2,508,451
0	0	4,592	826,023
0	0	0	278,835
0	0	24,533	316,496
64,427	152,570	112,931	669,524
(13,938)	(33,008)	(24,432)	(142,882)
222,044	0	92,359	450,274
2,352,461	119,562	647,213	18,831,506
0	0	7,403	2,030,717
0	0	65,235	5,429,833
10,380	56,354	165,559	1,315,019
0	0	12,138	1,978,397
0	0	257,604	1,408,056
5,289,219	0	162,033	7,052,365
0	0	101,573	1,500,682
48,333	0	95,790	538,947
5,347,932	56,354	867,335	21,254,016
(2,995,471)	63,208	(220,122)	(2,422,510)
2,635,000	0	0	2,635,000
70,531	0	0	70,531
0	0	34,142	56,169
0	600,000	183,700	2,865,486
0	0	(1,349,127)	(2,791,827)
2,705,531	600,000	(1,131,285)	2,835,359
(289,940)	663,208	(1,351,407)	412,849
4,028,317	9,645,755	8,287,890	45,486,267
(1,275,000)	0	476,008	(1,275,000)
2,753,317	9,645,755	8,763,898	44,211,267
\$2,463,377	\$10,308,963	\$7,412,491	\$44,624,116

City of Crystal
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$412,849

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$5,469,300	
Depreciation expense	<u>(2,967,443)</u>	2,501,857

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets. (15,632)

Certain revenues are included in the change in net position but are excluded from the net change in fund balances until they are available to liquidate liabilities of the current period.

Deferred revenue - December 31, 2012	11,814,353	
Deferred revenue - December 31, 2011	<u>(10,339,476)</u>	1,474,877

Net income (loss) from joint venture - West Metro Fire-Rescue District 608,831

The issuance of long-term debt provides current financial resources to governmental funds, while 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.

Proceeds from bonds issued	(2,635,000)	
Bond principal payments	1,399,109	
Note principal payments	11,019	
Bond issuance costs	48,333	
Premium on bonds issued	<u>(70,531)</u>	(1,247,070)

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.

Amortization of bond issuance costs	(11,946)	
Amortization of bond premium	1,896	
Amortization of bond discount	(6,353)	
Accrued interest payable	(8,270)	
Compensated absences	(13,141)	
Net OPEB obligation	<u>(48,184)</u>	(85,998)

Internal service funds are used by management to charge the costs of insurance and post employment health benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 147,863

CHANGE IN NET POSITION PER STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES \$3,797,577

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

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City of Crystal
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$8,267,049	\$8,267,049	\$8,284,782	\$17,733
Special assessments	186,000	186,000	279,813	93,813
Licenses, permits and inspections	557,380	557,380	670,162	112,782
Intergovernmental	1,755,443	1,755,443	1,754,976	(467)
Charges for sales and/or services	586,118	604,618	654,918	50,300
Administrative services provided to other funds	278,835	278,835	278,835	0
Fines and forfeitures	368,000	368,000	291,963	(76,037)
Interest	88,000	88,000	98,751	10,751
Net increase (decrease) in fair value of investments	0	0	(21,380)	(21,380)
Miscellaneous	63,215	63,215	90,127	26,912
Total Revenues	12,150,040	12,168,540	12,382,947	214,407
EXPENDITURES				
Current -				
General government -				
Mayor and council	164,283	136,283	131,255	5,028
Administration	897,705	897,705	867,451	30,254
Human resources	61,861	75,961	75,922	39
Assessing	212,400	212,400	202,410	9,990
Legal	80,000	92,600	92,554	46
Elections	43,380	43,380	43,217	163
Finance	447,679	447,679	443,633	4,046
City buildings	170,916	170,916	166,872	4,044
Total General Government	2,078,224	2,076,924	2,023,314	53,610
Public safety -				
Police	4,464,197	4,464,197	4,399,763	64,434
Fire	964,835	964,835	964,835	0
Total Public Safety	5,429,032	5,429,032	5,364,598	64,434
Public works -				
Engineering	322,462	328,362	328,309	53
Street maintenance	810,288	804,388	754,417	49,971
Total Public Works	1,132,750	1,132,750	1,082,726	50,024
Parks and recreation -				
Park maintenance	689,597	689,597	654,079	35,518
Forestry	156,458	156,458	149,491	6,967
Recreation	618,764	618,564	602,702	15,862
Community Center	344,908	346,408	346,319	89
Waterslide / swimming pool	230,474	246,674	213,668	33,006
Total Parks and Recreation	2,040,201	2,057,701	1,966,259	91,442

Continued . . .

City of Crystal
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Continued from previous page . . .				
Community development -				
Planning and code enforcement	\$203,863	\$203,263	\$198,213	\$5,050
Building inspection	223,992	244,792	244,714	78
Housing inspection	171,255	151,055	151,036	19
Health department	28,023	28,023	26,890	1,133
Total Community Development	<u>627,133</u>	<u>627,133</u>	<u>620,853</u>	<u>6,280</u>
Total Expenditures	<u>11,307,340</u>	<u>11,323,540</u>	<u>11,057,750</u>	<u>265,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	842,700	845,000	1,325,197	480,197
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(842,700)</u>	<u>(1,442,700)</u>	<u>(1,442,700)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	0	(597,700)	(117,503)	480,197
FUND BALANCES - BEGINNING OF YEAR	<u>7,514,970</u>	<u>7,514,970</u>	<u>7,514,970</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$7,514,970</u></u>	<u><u>\$6,917,270</u></u>	<u><u>\$7,397,467</u></u>	<u><u>\$480,197</u></u>

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

City of Crystal
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
EDA - Special Revenue
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$270,000	\$270,000	\$310,352	\$40,352
Intergovernmental	0	0	13,524	13,524
Charges for sales and/or services	242,346	242,346	166,443	(75,903)
Interest	38,104	38,104	48,715	10,611
Net increase (decrease) in fair value of investments	0	0	(9,217)	(9,217)
Miscellaneous	54,000	54,000	15,000	(39,000)
Total Revenues	604,450	604,450	544,817	(59,633)
EXPENDITURES				
Current -				
Community development	256,674	529,674	529,599	75
Capital outlay	360,000	672,000	671,868	132
Total Expenditures	616,674	1,201,674	1,201,467	207
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,224)	(597,224)	(656,650)	(59,426)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	1,346,274	1,349,127	2,853
NET CHANGE IN FUND BALANCES	(6,224)	749,050	692,477	(56,573)
FUND BALANCES - BEGINNING OF YEAR	3,570,778	3,570,778	3,570,778	0
Prior period adjustment	0	0	(476,008)	(476,008)
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	3,570,778	3,570,778	3,094,770	(476,008)
FUND BALANCES - END OF YEAR	<u>\$3,564,554</u>	<u>\$4,319,828</u>	<u>\$3,787,247</u>	<u>(\$532,581)</u>

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

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City of Crystal
STATEMENT OF FUND NET POSITION
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
ASSETS					
Current Assets:					
Cash and cash equivalents	\$132,024	\$273,216	\$40,103	\$41,721	\$5,261
Investments	2,031,708	4,204,526	617,137	642,051	80,962
Accrued interest	10,415	17,955	4,717	2,792	248
Accounts receivable	532,796	390,038	252,811	33,248	61,778
Special assessments receivable	406,614	0	0	0	0
Due from other governments	25,566	0	286,571	374	0
Inventory	31,930	6,255	3,631	0	0
Other assets	520	520	34,260	0	0
Total Current Assets	3,171,573	4,892,510	1,239,230	720,186	148,249
Noncurrent Assets:					
Equity interest in joint venture	722,800	0	0	0	0
Capital Assets -					
Land	42,200		716,862	0	0
Buildings and structures	110,924	110,923	7,618	0	0
Improvements other than buildings	0	0	170,540	16,861	0
Machinery and equipment	2,248,131	460,503	317,902	0	0
Office equipment and furniture	29,287	0	0	0	0
Software	32,888	32,888	32,888	0	0
Vehicles	102,329	146,912	177,892	0	0
Infrastructure	2,779,691	6,342,669	9,256,204	481,611	0
Construction in progress	341,000	0	828,572	118,913	0
	5,686,450	7,093,895	11,508,478	617,385	0
Less: accumulated depreciation	(1,899,233)	(4,475,262)	(4,504,818)	(105,762)	0
Total Capital Assets (net of accumulated depreciation)	3,787,217	2,618,633	7,003,660	511,623	0
Total Noncurrent Assets	4,510,017	2,618,633	7,003,660	511,623	0
Total Assets	7,681,590	7,511,143	8,242,890	1,231,809	148,249
LIABILITIES					
Current Liabilities:					
Accounts payable	10,480	2,921	11,667	11,507	23
Due to other governments	150,831	3,488	1,744	0	0
Accrued salaries and wages	12,776	12,776	6,389	0	0
Deposits payable	800	0	0	0	0
Contracts payable	0	0	119,595	0	0
Retainage payable	0	0	6,294	0	0
Current portion of accrued compensated absences	9,702	9,702	4,851	0	0
Total Current Liabilities	184,589	28,887	150,540	11,507	23
Noncurrent Liabilities:					
Noncurrent portion of accrued compensated absences	30,385	30,385	15,192	0	0
Net OPEB obligation	10,485	10,485	5,242	0	0
Total Noncurrent Liabilities	40,870	40,870	20,434	0	0
Total Liabilities	225,459	69,757	170,974	11,507	23
NET POSITION					
Net investment in capital assets	3,787,217	2,618,633	7,003,660	511,623	0
Unrestricted	3,668,914	4,822,753	1,068,256	708,679	148,226
Total Net Position	\$7,456,131	\$7,441,386	\$8,071,916	\$1,220,302	\$148,226

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

Total	Governmental Activities - Internal Service Funds
\$492,325	\$77,203
7,576,384	1,188,088
36,127	4,725
1,270,671	0
406,614	0
312,511	0
41,816	0
35,300	0
<hr/>	<hr/>
10,171,748	1,270,016
722,800	0
759,062	0
229,465	0
187,401	0
3,026,536	0
29,287	0
98,664	0
427,133	0
18,860,175	0
1,288,485	0
<hr/>	<hr/>
24,906,208	0
(10,985,075)	0
<hr/>	<hr/>
13,921,133	0
<hr/>	<hr/>
14,643,933	0
<hr/>	<hr/>
24,815,681	1,270,016
36,598	202,134
156,063	25,664
31,941	0
800	0
119,595	0
6,294	0
<hr/>	<hr/>
24,255	0
375,546	227,798
75,962	0
26,212	0
<hr/>	<hr/>
102,174	0
<hr/>	<hr/>
477,720	227,798
13,921,133	0
10,416,828	1,042,218
<hr/>	<hr/>
\$24,337,961	\$1,042,218

City of Crystal
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
OPERATING REVENUES					
Charges for sales and/or services	\$2,790,363	\$1,919,725	\$676,265	\$162,119	\$335,214
Other charges	171,069	3,388	1,354	373	0
Miscellaneous	0	0	0	0	0
Total Operating Revenues	2,961,432	1,923,113	677,619	162,492	335,214
OPERATING EXPENSES					
Personal services	299,863	300,018	156,727	0	0
Other services	212,589	76,691	309,399	5,702	402
Supplies	26,236	41,900	54,570	9,524	0
Water purchases	2,271,099	0	0	0	0
Sewage disposal charges	0	1,246,377	0	0	0
Electric service	0	0	0	124,619	0
Recycling charges	0	0	0	0	323,652
Depreciation	172,637	97,393	227,111	24,924	0
Administrative services charged by General Fund	112,320	112,320	30,224	8,539	5,052
Insurance	0	0	0	0	0
Total Operating Expenses	3,094,744	1,874,699	778,031	173,308	329,106
OPERATING INCOME (LOSS)	(133,312)	48,414	(100,412)	(10,816)	6,108
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental	0	0	1,695	0	0
Interest	40,060	69,059	18,140	10,737	953
Net increase (decrease) in fair value of investments	(8,667)	(14,941)	(3,924)	(2,323)	(206)
Gain on disposition of capital assets	0	0	1,404	0	0
(Loss) on disposition of capital assets	0	0	(4,866)	0	0
Net income (loss) from joint venture	159,919	0	0	0	0
Total Non-Operating Revenues (Expenses)	191,312	54,118	12,449	8,414	747
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	58,000	102,532	(87,963)	(2,402)	6,855
CAPITAL CONTRIBUTIONS	0	0	251,239	0	0
TRANSFERS OUT	0	0	(73,659)	0	0
CHANGE IN NET POSITION	58,000	102,532	89,617	(2,402)	6,855
NET POSITION - BEGINNING OF YEAR	7,398,131	7,338,854	7,982,299	1,222,704	141,371
NET POSITION - END OF YEAR	\$7,456,131	\$7,441,386	\$8,071,916	\$1,220,302	\$148,226

Change In Net Position, as Reported Above

Amount reported for business-type activities in the Statement of Activities may be different due to:

Transfers in of capital assets from governmental activities

Governmental activities capital contributions, as reported above

Change In Net Position of Business-type activities, per Statement of Activities

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

<u>Total</u>	Governmental Activities - Internal <u>Service Funds</u>
\$5,883,686	\$164,914
176,184	0
0	98,677
6,059,870	263,591
756,608	0
604,783	0
132,230	0
2,271,099	0
1,246,377	0
124,619	0
323,652	0
522,065	0
268,455	0
0	129,969
6,249,888	129,969
(190,018)	133,622
1,695	0
138,949	18,173
(30,061)	(3,932)
1,404	0
(4,866)	0
159,919	0
267,040	14,241
77,022	147,863
251,239	0
(73,659)	0
254,602	147,863
24,083,359	894,355
\$24,337,961	\$1,042,218
\$254,602	
251,239	
(251,239)	
\$254,602	

City of Crystal
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$2,987,965	\$1,916,473	\$484,935	\$148,351	\$336,440
Payments to suppliers	(2,371,992)	(1,365,008)	(252,382)	(140,677)	(324,031)
Payments to employees	(290,656)	(290,811)	(152,123)	0	0
Payments for interfund services used	(112,320)	(112,320)	(30,224)	(8,539)	(5,052)
Net cash provided by (used for) operating activities	<u>212,997</u>	<u>148,334</u>	<u>50,206</u>	<u>(865)</u>	<u>7,357</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	0	0	(73,659)	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(595,115)	(422,317)	(415,834)	0	0
Proceeds from sale of capital assets	0	0	1,404	0	0
Subsidy from state grant	0	0	1,695	0	0
Net cash provided by (used for) capital and related financing activities	<u>(595,115)</u>	<u>(422,317)</u>	<u>(412,735)</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	1,537,625	2,732,103	749,005	380,203	41,637
Purchase of investments	(1,310,983)	(2,713,019)	(398,215)	(414,291)	(52,242)
Interest received	47,268	78,963	22,515	12,003	1,032
Net cash provided by (used for) investing activities	<u>273,910</u>	<u>98,047</u>	<u>373,305</u>	<u>(22,085)</u>	<u>(9,573)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(108,208)	(175,936)	(62,883)	(22,950)	(2,216)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR					
	<u>240,232</u>	<u>449,152</u>	<u>102,986</u>	<u>64,671</u>	<u>7,477</u>
CASH AND CASH EQUIVALENTS - END OF YEAR					
	<u>\$132,024</u>	<u>\$273,216</u>	<u>\$40,103</u>	<u>\$41,721</u>	<u>\$5,261</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	(\$133,312)	\$48,414	(\$100,412)	(\$10,816)	\$6,108
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	172,637	97,393	227,111	24,924	0
Changes in assets and liabilities -					
(Increase) decrease in accounts receivable	(27,635)	(6,640)	(128,767)	(14,057)	1,226
(Increase) decrease in special assessments receivable	16,559	0	0	0	0
(Increase) decrease in due from other governments	37,609	0	(63,917)	(84)	0
(Increase) decrease in inventory	(8,983)	(462)	490	0	0
(Increase) decrease in other assets	330	(520)	(260)	0	0
Increase (decrease) in accounts payable	7,590	(375)	7,432	(832)	23
Increase (decrease) in due to other governments	138,995	1,317	546	0	0
Increase (decrease) in accrued salaries and wages	3,122	3,122	1,562	0	0
Increase (decrease) in contracts payable	0	0	97,085	0	0
Increase (decrease) in retainage payable	0	0	6,294	0	0
Increase (decrease) in accrued compensated absences	3,695	3,695	1,848	0	0
Increase (decrease) in net OPEB obligation	2,390	2,390	1,194	0	0
Net cash provided by (used for) operating activities	<u>\$212,997</u>	<u>\$148,334</u>	<u>\$50,206</u>	<u>(\$865)</u>	<u>\$7,357</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Net increase (decrease) in fair value of investments	(\$8,667)	(\$14,941)	(\$3,924)	(\$2,323)	(\$206)
Net income (loss) from joint venture	<u>\$159,919</u>				
Contributions of capital assets from government			<u>\$251,239</u>		

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$5,874,164	\$263,591
(4,454,090)	(201,740)
(733,590)	0
<u>(268,455)</u>	<u>0</u>
418,029	61,851
(73,659)	0
(1,433,266)	0
1,404	0
<u>1,695</u>	<u>0</u>
(1,430,167)	0
5,440,573	647,987
(4,888,750)	(766,628)
161,781	20,250
<u>713,604</u>	<u>(98,391)</u>
(372,193)	(36,540)
864,518	113,743
<u>\$492,325</u>	<u>\$77,203</u>
(\$190,018)	\$133,622
522,065	0
(175,873)	0
16,559	0
(26,392)	0
(8,955)	0
(450)	0
13,838	(96,730)
140,858	24,959
7,806	0
97,085	0
6,294	0
9,238	0
5,974	0
<u>\$418,029</u>	<u>\$61,851</u>
<u>(\$30,061)</u>	<u>(\$3,932)</u>
<u>\$159,919</u>	

City of Crystal
 STATEMENT OF FIDUCIARY NET POSITION
 Fiduciary Funds
 December 31, 2012

	Hennepin Recycling Group Agency Fund
ASSETS	
Cash and cash equivalents	\$108,377
Investments	1,667,821
Accrued interest	6,552
Total Assets	\$1,782,750
 LIABILITIES	
Accounts payable	\$50,589
Due to other governments	70,506
Due to Hennepin Recycling Group	1,661,655
Total Liabilities	\$1,782,750

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

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The City of Crystal (the City) operates under the Home Rule Charter form of government in accordance with applicable State of Minnesota statutes. The charter prescribes a Manager-Council form of organization. The governing body consists of a seven-member City Council elected at large to serve four-year staggered terms. The accompanying financial statements present the activities of the government. Certain organizations have been defined in accordance with GASB Statement No. 14 and are presented in this report as follows:

1. Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has one blended component unit which is reported as if it were part of the City.

Although the Economic Development Authority (EDA) in and for the City is legally separate from the City, the EDA is reported as if it were part of the primary government because its governing board is comprised of the City council members. The EDA was created by the City to provide housing and redevelopment assistance through the administration of various programs. It levies taxes to provide funds for redevelopment in the City. The EDA is reported as a special revenue fund.

2. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The City participates in two joint ventures – the Golden Valley, Crystal, New Hope Joint Water Commission and the West Metro Fire-Rescue District. Descriptions and other financial information for these organizations are included in the note entitled Joint Ventures and Jointly Governed Organizations.

3. Jointly Governed Organizations

The City has several agreements with governmental and other entities that provide reduced costs, better service and additional benefits to participants. The various programs in which the City participates in are described in the note entitled Joint Ventures and Jointly Governed Organizations.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's fiduciary funds include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services, and investment earnings. Major revenues that are not susceptible to accrual include licenses, permits, and inspection fees, and miscellaneous revenues. Such revenues are recorded only as received because they are not measurable until collected.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- General Fund – This is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- EDA – Special Revenue – The EDA fund, a blended component unit, is used to account for the City’s housing and redevelopment activities. Significant revenue sources include property taxes, charges for sales, and transfers from other funds.
- Debt Service – This fund accounts for resources accumulated, and payments made, for principal and interest on long-term general obligation debt and tax increment revenue notes of governmental funds.
- Capital Improvement Revolving – Capital Projects – This fund is used to account for the majority of the City’s capital acquisitions and improvements, as they relate to operations of the City.
- Street Reconstruction – Capital Projects – This fund is used to account for ongoing street reconstruction projects in the City. A total of sixteen reconstruction phases are planned.
- Major Building Replacement – Capital Projects – This fund is used to account for major renovation and/or construction of City buildings.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The government reports the following major proprietary funds:

- Water – This fund accounts for the provision of water to residents and customers of the City. The cities of Crystal, Golden Valley, and New Hope established a joint water commission in 1963 to provide for the creation and maintenance of a joint water supply, storage, and distribution system through which water purchased from the City of Minneapolis can be supplied to the population of the member cities.
- Sanitary Sewer – This fund accounts for the collection and pumping of sanitary sewage through a system of sewer lines and lift stations. Sewage is treated by Metropolitan Council Environmental Services (MCES).
- Storm Drainage – This fund accounts for the operation, maintenance, and improvement of the City's storm drainage system.
- Street Lights – This fund accounts for the operation, maintenance, and improvement of the City's street lights.
- Recycling – This fund accounts for the provision of recycling services to residents and customers of the City. Recycling services are provided by Hennepin Recycling Group (HRG).

Additionally, the government reports the following fund types:

- Internal Service Funds are used to account, on a cost-reimbursement basis, for the financing of uninsured risks of loss (self-insurance), as well as post employment health benefits for eligible retirees.
- The Agency Fund accounts for the collection, recycling, and disposal of solid waste activities of Hennepin Recycling Group (HRG), a jointly-governed organization in which the City participates.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the government's enterprise funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 non-operating 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.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be change funds, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are combined and invested to the extent available in authorized investments (Refer to note entitled Deposits and Investments). Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are reported at fair value, based upon quoted market prices at the reporting date. The City invests in the Minnesota Municipal Money Market Fund, an external investment pool not registered with the Securities Exchange Commission (SEC), but that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

2. Restricted Assets

A portion of Cash and Cash Equivalents is reported as restricted in an amount equal to the balance reported in Deposits Payable of the General Fund. The amount represents funds collected as surety on site improvements in progress within the City. Once site improvements have been satisfactorily completed in accordance with terms of individual agreements, individual amounts will be released.

3. Accounts Receivable

All utility and miscellaneous accounts receivable are shown at a gross amount. Since most uncollectible accounts are able to be certified to Hennepin County for collection with real estate taxes, no allowance for uncollectible accounts has been provided.

4. Delinquent Property Taxes Receivable

Property tax levies are set by the City Council in December of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments by May 15 and October 15 of each year. Personal property taxes may be paid by February 28 and June 30 of each year. The County provides tax settlements to cities and other taxing districts three times a year – in July, December and January of the following year.

In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes receivable. They are fully offset by deferred revenue because they are not known to be available to finance current expenditures.

5. Special Assessments Receivable

In accordance with state statutes, special assessments are levied against benefited properties for the assessable costs of improvement projects. The City normally adopts an assessment roll at the time an individual project is started. Assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. The County handles collection of annual installments, including interest, in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

5. Special Assessments Receivable (Continued)

In the fund financial statements, special assessments are offset by deferred revenue and include the following components:

- Delinquent – amounts billed to property owners but not yet paid
- Deferred – installments that will be billed to property owners in future years.

6. Inventories

Inventories of the enterprise funds are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories is recorded using the consumption method and is expensed when consumed.

7. Land Held for Resale

The Crystal EDA acquires properties for redevelopment purposes. Land held for resale is reported as an asset at its net realizable value in the EDA Special Revenue Fund. Any costs incurred that are above a property's net realizable value are reported as expenditures of the current period.

8. Capital Assets

Capital assets, both tangible and intangible, which include land, buildings and structures, improvements other than buildings, machinery and equipment, office equipment and furniture, software, vehicles and trailers, and infrastructure (utility systems, traffic and transportation systems and park systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

With the initial capitalization of infrastructure assets of governmental activities, as required by the implementation of GASB Statement No. 34, the City chose to include all such items, regardless of acquisition date. Historical costs were available from an independent, city-wide asset valuation that had been completed in 1992, as well as from contractor invoices for street reconstruction projects completed subsequent to 1992.

Tangible and intangible capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

8. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest is not being capitalized on construction projects.

Tangible and intangible capital assets of the City are depreciated using the straight-line, mid-month convention. In instances in which estimated useful lives have been revised to more closely approximate historical experience, depreciation is calculated by taking the net remaining value over the remaining life (prospectively). Estimated useful lives are as follows:

Classification	Years
Buildings and structures	5-50
Improvements other than buildings	5-30
Machinery and equipment	5-20
Office equipment and furniture	5-20
Software	5
Vehicles and trailers	3-12
Infrastructure:	
Utility systems	25-75
Traffic and transportation systems	10-30
Park systems	15-20

9. Compensated Absences Payable

The City compensates all employees for unused vacation hours upon termination. Eligible employees are compensated for accrued compensatory hours upon termination. Employees terminating their employment with the City after ten or more continuous years of service are compensated for 40% of their accumulated sick leave hours at their current base hourly rate of pay. The maximum amount of accrued sick leave hours that may be converted is 960.

Accumulated or vested vacation, compensatory, and sick time estimated to be payable as termination pay is accrued as incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

10. Long-Term Obligations

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

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

11. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. Classifications of fund balance that will be used are as follows:

- *Nonspendable* – These are resources that cannot be spent because they are either not readily convertible to cash or are legally or contractually required to be maintained intact. Examples include money held in escrow, prepaid amounts, land held for resale, and long-term loans or notes receivable.
- *Restricted* – These are resources whose spending is constrained externally by creditors or by laws and regulations of another government. Examples include grants, intergovernmental revenues, and resources in debt service funds that include a legally enforceable requirement that those resources be spent only for specific purposes.
- *Committed* – These are resources that can only be used for specific purposes established by the City Council. Establishment of these specific purposes must be done by a resolution adopted by the City Council and may only be changed or removed by a resolution adopted by the City Council.
- *Assigned* – These are resources that the City intends to be used for specific purposes, but are neither restricted nor committed. This intent may be expressed by a motion of the City Council or by the City Manager, upon recommendation of the Finance Director.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

11. Fund Balance Classifications (Continued)

- *Unassigned* – These are resources that are available for any purpose of the fund. Amounts identified as cash flow resources are classified as unassigned. Only the General Fund may have a positive unassigned fund balance. A deficit fund balance in any fund must be classified as an unassigned fund balance.

When multiple classifications of resources are available for use, it is the City's policy to first use restricted resources if permitted, then committed, assigned, or unassigned resources. It is the City's policy to retain in fund balance resources that have the lowest level of constraints possible.

Note 2 – Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

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

- Prior to each September 15, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing the following January. The operating budgets include proposed expenditures and the means of financing them.
- In November, the County mails individual property tax notices to residents showing the taxes that would result from the proposed budgets of all taxing units within the City.
- Prior to proposed budgets being approved, public hearings are conducted to obtain taxpayer comments.
- In December, final budgets are legally enacted by the City Council through passage of a resolution.
- During the budget year, the City Council must authorize any transfer of budgeted amounts between departments within the General Fund. City management may authorize a transfer of budgeted amounts within individual departments without obtaining approval from the City Council.
- Supplemental appropriations during the year may only be made by the City Council. These amounts must be financed by funds from the contingency reserve set up in the General Fund or by additional revenues.
- All budget amounts lapse at the end of the year to the extent they have not been expended.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 2 – Stewardship, Compliance and Accountability (Continued)

A. Budgets and Budgetary Accounting (Continued)

- Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. The budgets are adopted on a modified accrual basis.
- Budgets are adopted on an accrual basis for all enterprise and internal service funds.
- Budgetary control is maintained at the department level for the General Fund and at the fund level for all other funds that adopt annual budgets. City management must request approval from the City Council before exceeding budget at the applicable level.

B. Excess of Expenditures over Budget

Expenditures exceeded budget in the CDBG and Street Reconstruction funds by \$4,564 and \$746,369, respectively. The over-expenditure in the CDBG Fund was fully offset by revenue. The over-expenditure in the Street Reconstruction Fund was funded by issuance of bonds and use of fund balance.

Note 3 – Deposits and Investments

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at national or state banks within the state, as authorized by the City Council. The following is considered to be the most significant risk associated with deposits:

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the deposits may be lost.

Minnesota Statutes require that all City deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. During the year, all deposits and investments were collateralized in accordance with these provisions. The City has no additional deposit policies addressing custodial credit risk for deposits.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 3 – Deposits and Investments (Continued)

A. Deposits (Continued)

At year-end, the City's carrying amount of deposits was \$126,329 and the bank balance was \$915,385. All of the bank balance was covered by FDIC insurance or collateralized by pledged collateral held in the City's name at the Federal Reserve Bank.

The City's policy is to comply with Minnesota Statutes, which require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

B. Investments

The City has a formal investment policy to establish guidelines for the prudent investment of City funds. Funds of the City will be invested in compliance with the provisions of Minnesota Statutes Chapter 118A. Allowable investments include the following:

- Bonds, notes, bills, mortgages, and other securities that are direct obligations or are guaranteed or insured issues of the United States, its agencies, instrumentalities, or organizations created by Congress.
- State and local securities, including:
 - any security that is a general obligation of any state or local government with taxing powers and is rated "A" or better by a national bond rating agency
 - any security that is a revenue obligation of any state or local government with taxing powers and is rated "AA" or better by a national bond rating agency
- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and that matures in 270 days or less.
- Time deposits that are fully insured by the Federal Depository Insurance Corporation.
- Bankers' acceptances of United States banks.
- Money market mutual funds.
- Government investment pools, including the Minnesota Municipal Money Market Fund.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 3 – Deposits and Investments (Continued)

B. Investments (Continued)

As of December 31, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		2013	2014	2015 through 2016	2017 through 2018
Certificates of Deposit	\$17,164,661	\$10,984,808	\$3,697,352	\$1,237,277	\$1,245,224
Federal Farm Credit Notes	4,501,434	0	1,000,026	2,999,735	501,673
Federal Home Loan Mtge. Corp.	1,001,559	0	0	0	1,001,559
Federal Natl. Mortgage Assoc.	3,018,459	0	0	0	3,018,459
State & Local Govt. Bonds	<u>26,195,429</u>	<u>7,838,553</u>	<u>5,648,740</u>	<u>8,820,874</u>	<u>3,887,262</u>
Subtotal	51,881,542	18,823,361	10,346,118	13,057,886	9,654,177
Money Market Accounts *	<u>2,510,010</u>	<u>2,510,010</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	<u>\$54,391,552</u>	<u>\$21,333,371</u>	<u>\$10,346,118</u>	<u>\$13,057,886</u>	<u>\$9,654,177</u>

* Includes \$817,245 invested in the Minnesota Municipal Money Market Fund, which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC), that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

Interest Rate Risk - This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy states that "the City will minimize Interest Rate Risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations."

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is addressed by confining investments to those securities specifically authorized by state statute and the City's investment policy. As of December 31, 2012, the City's investments in U.S. Agencies were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The City's investments in G.O. state and local government bonds were rated A2 or better by Moody's and A or better by Standard and Poor's. The City's investments in state and local government revenue bonds were rated Aa3 or better by Moody's and AA- or better by Standard and Poor's. The City's investments in certificates of deposit were covered by FDIC insurance.

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments that are in the possession of an outside party. The City's investment policy states that the bank or broker is required to have insurance through FDIC and SIPC or transfer the security to a custodian bank.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 3 – Deposits and Investments (Continued)

B. Investments (Continued)

Concentration of Credit Risk – This is the risk associated with investing a significant portion of the City’s investments (considered to be 5% or more) in the securities of a single issuer. The City’s investment policy does not limit investments in any one issuer. At December 31, 2012, the following investments exceeded 5% of the City’s total investments:

Federal Farm Credit Notes	8.17%
Federal National Mortgage Assoc.	5.48%

The following summary reconciles cash and investments to the financial statements:

Total Cash and Investments

Cash on hand	\$1,778
Carrying amount of deposits	861,328
Carrying amount of investments	<u>54,391,552</u>
	<u>\$55,254,658</u>

Total Cash, Cash Equivalents, and Investments

Per Statement of Net Position -	
Cash and cash equivalents	\$3,254,978
Temporarily restricted cash and cash equivalents	9,761
Investments	50,213,721
Per Statement of Changes in Assets and Liabilities -	
Agency Fund: Hennepin Recycling Group -	
Cash and cash equivalents	108,377
Investments	<u>1,667,821</u>
	<u>\$55,254,658</u>

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 4 – Interfund Transfers

	Transfers In				Total
	EDA	Capital Improvement Revolving	Major Building Replacement	Non-major Governmental Funds	
<u>Transfers Out</u>					
General	\$0	\$659,000	\$600,000	\$183,700	\$1,442,700
Non-major Govern- mental Funds	1,349,127	0	0	0	1,349,127
Storm Drainage	0	73,659	0	0	73,659
Total	<u>\$1,349,127</u>	<u>\$732,659</u>	<u>\$600,000</u>	<u>\$183,700</u>	<u>\$2,865,486</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$3,401,462	\$475,405	\$0	\$3,876,867
Construction in progress	2,538,886	4,007,185	(2,313,874)	4,232,197
Total Capital Assets Not Being Depreciated	5,940,348	4,482,590	(2,313,874)	8,109,064
Capital Assets Being Depreciated:				
Buildings and structures	10,521,575	25,850	0	10,547,425
Improvements other than buildings	5,131,397	146,943	0	5,278,340
Machinery and equipment	3,212,891	41,060	(128,697)	3,125,254
Office equipment and furniture	577,559	24,007	(5,207)	596,359
Software	111,793			111,793
Vehicles and trailers	2,171,812	242,848	(233,866)	2,180,794
Infrastructure -				
Traffic and transportation systems	44,126,418	2,819,876	(1,659,984)	45,286,310
Park systems	191,538	0	0	191,538
Total Capital Assets Being Depreciated	66,044,983	3,300,584	(2,027,754)	67,317,813
Less Accumulated Depreciation for:				
Buildings and structures	(5,915,701)	(263,440)	0	(6,179,141)
Improvements other than buildings	(2,308,640)	(176,455)	0	(2,485,095)
Machinery and equipment	(2,018,971)	(196,124)	128,698	(2,086,397)
Office equipment and furniture	(344,772)	(49,925)	5,206	(389,491)
Software	(57,754)	(13,967)	0	(71,721)
Vehicles and trailers	(1,313,083)	(212,943)	218,234	(1,307,792)
Infrastructure -				
Traffic and transportation systems	(22,662,186)	(2,043,198)	1,659,984	(23,045,400)
Park systems	(64,516)	(11,391)	0	(75,907)
Total Accumulated Depreciation	(34,685,623)	(2,967,443)	2,012,122	(35,640,944)
Total Capital Assets Being Depreciated, Net	31,359,360	333,141	(15,632)	31,676,869
Governmental Activities Capital Assets, Net	\$37,299,708	\$4,815,731	(\$2,329,506)	\$39,785,933

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 5 – Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$759,062	\$0	\$0	\$759,062
Improvements other than buildings	170,540	0	0	170,540
Construction in progress	1,353,573	486,572	(551,660)	1,288,485
Total Capital Assets Not Being Depreciated	2,283,175	486,572	(551,660)	2,218,087
Capital Assets Being Depreciated:				
Buildings and structures	229,465	0	0	229,465
Improvements other than buildings	16,861	0	0	16,861
Machinery and equipment	2,867,358	177,044	(17,866)	3,026,536
Office equipment and furniture	29,287	0	0	29,287
Software	98,664	0	0	98,664
Vehicles and trailers	427,133	0	0	427,133
Infrastructure -				
Utility systems	16,853,388	1,572,549	(47,373)	18,378,564
Traffic and transportation systems	481,611	0	0	481,611
Total Capital Assets Being Depreciated	21,003,767	1,749,593	(65,239)	22,688,121
Less Accumulated Depreciation for:				
Buildings and structures	(154,475)	(7,817)	0	(162,292)
Improvements other than buildings	(4,707)	(843)	0	(5,550)
Machinery and equipment	(748,537)	(157,166)	17,866	(887,837)
Office equipment and furniture	(11,715)	(5,857)	0	(17,572)
Software	(98,664)	0	0	(98,664)
Vehicles and trailers	(319,641)	(25,909)	0	(345,550)
Infrastructure -				
Utility systems	(9,109,513)	(300,393)	42,507	(9,367,399)
Traffic and transportation systems	(76,131)	(24,080)	0	(100,211)
Total Accumulated Depreciation	(10,523,383)	(522,065)	60,373	(10,985,075)
Total Capital Assets Being Depreciated, Net	10,480,384	1,227,528	(4,866)	11,703,046
Business-type Activities Capital Assets, Net	\$12,763,559	\$1,714,100	(\$556,526)	\$13,921,133

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities -	
General government	\$184,402
Public safety	166,759
Public works	2,186,736
Parks and recreation	420,966
Community development	8,580
Total Depreciation Expense - Governmental Activities	<u>\$2,967,443</u>
Business-type Activities -	
Water	\$172,637
Sanitary sewer	97,393
Storm drainage	227,111
Street lights	24,924
Total Depreciation Expense - Business-type Activities	<u>\$522,065</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 6 – Long-Term Debt

The government issues general obligation (G.O.) bonds (including certificates of indebtedness), tax increment bonds, and special assessment bonds to provide funding for the acquisition of capital assets, tax increment projects, and street improvements, respectively. G.O. bonds are direct obligations and pledge the full faith and credit of the government. Details of long-term debt currently outstanding are as follows:

Purpose	Maturity Dates	Interest Rates	Original Issue Amount	Amount Outstanding
Governmental activities -				
G.O. aquatic center bonds - 2005B	2006 - 2020	3.50 - 4.00%	\$2,395,000	\$1,415,000
G.O. street refunding and reconstruction bonds - 2010B	2012 - 2014	0%	<u>1,587,678</u>	<u>333,886</u>
			3,982,678	1,748,886
Governmental activities - special assessments -				
Improvement & refunding bonds - 2004A	2005 - 2020	4.50 - 4.75%	2,045,000	845,000
Improvement bonds - 2005A	2007 - 2021	3.50 - 4.00%	1,440,000	820,000
Improvement bonds - 2006A	2008 - 2022	3.75 - 4.20%	1,855,000	1,145,000
Improvement bonds - 2008A	2010 - 2024	3.50 - 4.35%	2,190,000	1,650,000
Improvement bonds - 2009A	2011 - 2030	2.00 - 4.50%	3,360,000	2,970,000
Improvement bonds - 2011A	2013 - 2027	0.50 - 3.55%	1,705,000	1,705,000
Improvement bonds - 2012A	2014 - 2028	1.50 - 2.13%	<u>2,635,000</u>	<u>2,635,000</u>
			15,230,000	11,770,000
Governmental activities - note payable -				
LOGIS - public safety application software	2011 - 2015	3.00%	<u>58,501</u>	<u>35,081</u>
Total			<u>\$19,271,179</u>	<u>\$13,553,967</u>

Interest paid on most of the debt issued by the City is exempt from federal income tax. As a result, purchasers of this debt are willing to accept lower interest rates than they would on taxable debt. The City pools the proceeds of bond issues held in construction funds and the accumulated cash in debt service funds with all other available cash and invests it according to the City's cash management policies and practices. This sometimes produces a higher yield on the investments than is being paid on the related debt. The federal tax code refers to this higher yield as arbitrage. Under some circumstances the earnings from these higher yields must be rebated to the federal government. Federal law requires that arbitrage be calculated and rebated at the end of each five-year period that tax exempt debt is outstanding, as well as at maturity. The City does not report arbitrage until the liability is due and payable.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 6 – Long-Term Debt (Continued)

Changes in long-term debt during 2012 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable -					
G.O. bonds -					
Aquatic center bonds - 2005B	\$1,560,000	\$0	(\$145,000)	\$1,415,000	\$155,000
Street refunding and reconstruction bonds - 2010B	842,995	0	(509,109)	333,886	192,549
	<u>2,402,995</u>	<u>0</u>	<u>(654,109)</u>	<u>1,748,886</u>	<u>347,549</u>
G.O. special assessment bonds with government commitment -					
Improvement & refunding bonds - 2004A	995,000	0	(150,000)	845,000	145,000
Improvement bonds - 2005A	920,000	0	(100,000)	820,000	100,000
Improvement bonds - 2006A	1,275,000	0	(130,000)	1,145,000	125,000
Improvement bonds - 2008A	1,810,000	0	(160,000)	1,650,000	155,000
Improvement bonds - 2009A	3,175,000	0	(205,000)	2,970,000	200,000
Improvement bonds - 2011A	1,705,000	0	0	1,705,000	145,000
Improvement bonds - 2012A	0	2,635,000	0	2,635,000	0
	<u>9,880,000</u>	<u>2,635,000</u>	<u>(745,000)</u>	<u>11,770,000</u>	<u>870,000</u>
Sub-total	12,282,995	2,635,000	(1,399,109)	13,518,886	1,217,549
Bond premiums	0	70,531	(1,896)	68,635	4,550
Bond discounts	(83,902)	0	6,353	(77,549)	(6,353)
Total Bonds Payable	12,199,093	2,705,531	(1,394,652)	13,509,972	1,215,746
Note payable -					
LOGIS - public safety application software	46,100	0	(11,019)	35,081	11,350
Compensated absences	869,801	706,773	(693,632)	882,942	225,842
Governmental Activity Long-term Liabilities	<u>\$13,114,994</u>	<u>\$3,412,304</u>	<u>(\$2,099,303)</u>	<u>\$14,427,995</u>	<u>\$1,452,938</u>
<u>Business-type Activities</u>					
Compensated absences	<u>\$90,979</u>	<u>\$56,714</u>	<u>(\$47,476)</u>	<u>\$100,217</u>	<u>\$24,255</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 6 – Long-Term Debt (Continued)

G.O. aquatic center bonds were issued to finance the reconstruction of the municipal pool and waterslide.

G.O. street refunding and reconstruction bonds, Series 2010B, were issued in conjunction with financing reconstruction of the portion of Hennepin County Highway 81 that runs through the City. The bonds were sold to Hennepin County at a zero interest rate.

Bond payments will be funded by property taxes and interest earnings. Annual debt service requirements to maturity for G.O. bonds are as follows:

<u>Year Ending December 31</u>	Governmental Activities -	
	G.O. Bonds	
	<u>Principal</u>	<u>Interest</u>
2013	\$347,549	\$53,500
2014	301,337	47,200
2015	165,000	40,700
2016	170,000	34,000
2017	180,000	27,000
2018-2020	<u>585,000</u>	<u>35,900</u>
	<u>\$1,748,886</u>	<u>\$238,300</u>

G.O. special assessment bond payments will be funded by special assessments levied against property owners benefited by street improvements as well as interest earnings. Annual debt service requirements to maturity for G.O. special assessment bonds are as follows:

<u>Year Ending December 31</u>	Governmental Activities -	
	G.O. Special	
	Assessment Bonds	
	<u>Principal</u>	<u>Interest</u>
2013	\$870,000	\$354,511
2014	1,075,000	328,287
2015	1,000,000	300,408
2016	970,000	272,192
2017	945,000	243,167
2018-2022	4,105,000	786,005
2023-2027	2,245,000	271,804
2028-2030	<u>560,000</u>	<u>29,034</u>
	<u>\$11,770,000</u>	<u>\$2,585,408</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 6 – Long-Term Debt (Continued)

The note payable relates to an upgrade of public safety application software. Note payments will be made from the Police Equipment Revolving Fund.

<u>Year Ending December 31</u>	Governmental Activities - Notes Payable	
	Principal	Interest
	2013	\$11,350
2014	11,690	711
2015	12,041	360
	\$35,081	\$2,122

Total delinquent special assessments receivable for all funds for the years ending December 31, 2012 and 2011 were \$234,174 and \$277,551, respectively.

Compensated absences are liquidated by either the General Fund or enterprise funds, depending upon where employees' time is assigned.

Note 7 – Tax Increment Financing Revenue Notes

The City has entered into several private redevelopment agreements regarding certain tax increment properties. Reimbursements for these agreements are in the form of tax increment revenue notes.

These notes provide for the payment of principal, equal to the project redevelopment costs, plus interest at various rates. Payments on the notes will be made at the lesser of the note payment or the actual net tax increment received (or a reduced percentage received in certain cases), as stated in the agreement. Payments are first applied to accrued interest and then to principal balances. The notes are cancelled at the end of the agreement term whether or not they have been repaid in full.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 7 – Tax Increment Financing Revenue Notes (Continued)

The outstanding principal balances as of December 31, 2012, are as follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Tax Increment Revenue Note - 1995A	1997 - 2016	8.50%	\$476,931
Tax Increment Revenue Note - 1995B	1997 - 2016	8.50%	78,071
Tax Increment Revenue Note - 1996A	1999 - 2016	8.50%	102,034
Tax Increment Revenue Note - 2002	2002 - 2016	7.00%	<u>475,483</u>
			<u>\$1,132,519</u>

Due to the nature of these notes (in that repayment is required only if sufficient tax increments are received), the outstanding amount is not reported in the accompanying financial statements. The City's position is that these are obligations to assign future and uncertain revenue sources and, as such, is not actual debt in substance. Payments of principal and interest on tax increment revenue notes are paid out of the TIF Districts special revenue fund.

Note 8 – Conduit Debt Obligations

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issue. Neither the City or the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2012, there were four debt issues outstanding. The aggregate original issue amounts and principal balances outstanding as of December 31, 2012, are as follows:

<u>Name of Issue</u>	<u>Year</u>	<u>Original Issue</u>	<u>Principal Balance</u>
Crystal Apts. Multi Family Housing Refunding Bonds	1997	\$5,825,000	\$5,825,000
Calibre Chase Multi Family Housing Refunding Bonds	2004	2,910,000	2,910,000
St. Therese at Oxbow Lake Housing Revenue Notes	2005	4,600,000	3,843,332
LOGIS Government Facilities Revenue Bonds	2006	<u>6,000,000</u>	<u>4,778,934</u>
		<u>\$19,335,000</u>	<u>\$17,357,266</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 9 – Fund Balance

A. Classifications

A summary of governmental fund balance classifications at December 31, 2012, is as follows:

	Major Funds							Total
	General Fund	Special Revenue Fund	Debt Service	Capital Project Funds			Other Funds	
		EDA		Capital Improve. Revolving	Street Recon-struction	Major Building Replacement		
Fund Balances								
Restricted -								
Housing and redevelopment assistance	\$0	\$0	\$0	\$0	\$0	\$0	\$1,595,856	\$1,595,856
MURL revolving fund	0	32,852	0	0	0	0	0	32,852
Debt service	0	0	4,405,942	0	0	0	0	4,405,942
10% lawful gambling contrib.	0	0	0	0	0	0	3,795	3,795
DWI-related enforcement, training, and education	0	0	0	0	0	0	41,723	41,723
Total Restricted	0	32,852	4,405,942	0	0	0	1,641,374	6,080,168
Committed -								
Compensated absences	882,942	0	0	0	0	0	0	882,942
Housing and redevelopment assistance	0	3,754,395	0	0	0	0	0	3,754,395
Cap. outlay - city wide	0	0	0	8,848,629	0	0	0	8,848,629
Cap. outlay - street reconstruction	0	0	0	0	2,463,377	0	0	2,463,377
Cap. outlay - replace. and renovation of city bldgs.	0	0	0	0	0	10,308,963	0	10,308,963
Cap. outlay - police dept.	0	0	0	0	0	0	3,191,297	3,191,297
Cap. outlay - fire dept.	0	0	0	0	0	0	636,661	636,661
Cap. outlay - street maint.	0	0	0	0	0	0	1,872,925	1,872,925
Total Committed	882,942	3,754,395	0	8,848,629	2,463,377	10,308,963	5,700,883	31,959,189
Assigned -								
Police dept. purposes	0	0	0	0	0	0	32,058	32,058
Park and rec. dept. purposes	0	0	0	0	0	0	25,805	25,805
Other purposes	0	0	0	0	0	0	12,371	12,371
Total Assigned	0	0	0	0	0	0	70,234	70,234
Unassigned	6,514,525	0	0	0	0	0	0	6,514,525
Total Fund Balances	\$7,397,467	\$3,787,247	\$4,405,942	\$8,848,629	\$2,463,377	\$10,308,963	\$7,412,491	\$44,624,116

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 9 – Fund Balance (Continued)

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City's goal to begin each fiscal year with sufficient cash flow reserves to fund operations between each semi-annual receipt of property taxes.

The policy states that when fund balance at the end of a year exceeds non-spendable fund balance, restricted fund balance, liability for compensated absences of employees, assigned fund balance, and 45% of the subsequent year's budget, the City Council shall consider transferring at least 25% of the excess fund balance to one of the capital project funds. At any time during the year the City Council may consider transferring any or all of the excess fund balance to any other fund of the City, as needed.

At December 31, 2012, the minimum fund balance required was \$6,387,575, leaving an excess available for transfer of \$1,009,892.

Note 10 – Defined Benefit Pension Plans

A. Plan Description

All full-time and certain part-time employees of the City of Crystal are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 10 – Defined Benefit Pension Plans (Continued)

A. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree; no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60% of their annual covered salary in 2012. In 2012, the City was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 10 – Defined Benefit Pension Plans (Continued)

B. Funding Policy (Continued)

members and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$280,757, 276,233, and \$273,646, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$333,909, \$327,229, and \$309,075, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 11 – Defined Contribution Pension Plan

Four council members of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member's account, annually.

Total contributions made by the City during fiscal year 2012 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$1,553	\$1,553	5.00%	5.00%	5.00%

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 12 – Post Employment Health Benefits Plan

A. Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage, which is administered by Blue Cross Blue Shield of Minnesota (BCBS). It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the City based on contract terms with BCBS. Required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2012, the City contributed \$74,316 to the plan. As of January 1, 2012, there were 15 retirees or dependents receiving health benefits from the City's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The City prospectively implemented this Statement during 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of 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 to the plan.

	Net OPEB Obligation
Annual required contribution	\$ 126,899
Interest on net OPEB obligation	11,063
Adjustment to annual required contributions	(9,488)
Annual OPEB cost (expense)	128,474
Employer contributions	(74,316)
Increase in net OPEB obligation	54,158
Net OPEB obligation - beginning of year	245,846
 Net OPEB obligation - end of year	 \$ 300,004

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 12 – Post Employment Health Benefits Plan (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and past two years are as follows:

Schedule of Employer Contributions					
Fiscal Year Ended	Annual OPEB Cost (a)	Employer Contribution (b)	% Of Annual OPEB Cost Contributed (b/a)	Increase (Decrease) In Net OPEB Obligation (a-b)	Cumulative Net OPEB Obligation
12/31/10	\$133,811	\$72,313	54%	\$61,498	\$204,856
12/31/11	133,133	92,143	69%	40,990	245,846
12/31/12	128,474	74,316	58%	54,158	300,004

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,164,949 and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,164,949. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$5,799,414, and the ratio of the UAAL to covered payroll was 20 percent.

Actuarial valuations 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, mortality, and the healthcare cost trend. 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.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 12 – Post Employment Health Benefits Plan (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 9% initially, reduced incrementally to an ultimate rate of 5% after twelve years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a 30-year open period, with a single base at each measurement date equal to the UAAL.

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. As such, the City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for cities that are parties to a joint powers agreement.

The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of pre-determined amounts. The LMCIT provides coverage for liability, errors and omissions, worker's compensation, auto, and other miscellaneous types of coverage.

The City's Self-Insurance Fund (an internal service fund) is used to account for and finance its uninsured risks of loss. The Self-Insurance Fund provides coverage for up to a maximum of \$25,000 for each general liability or property damage claim, up to \$75,000 per year. The City purchases commercial insurance for claims in excess of coverage provided by this fund, as well as for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during 2012.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 13 – Risk Management (Continued)

All funds of the City contribute to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$168,662 is included in accounts payable of the Self-Insurance Fund at December 31, 2012. The liability amount is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported when information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate of the liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

The maximum liability for any one year is \$75,000. The total liability may exceed \$75,000 if claims are open from more than one year.

Changes in claims liability for 2012 and 2011 are as follows:

<u>Year</u>	<u>Claims Liability - Beginning Of Year</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Payments on Claims</u>	<u>Claims Liability - End Of Year</u>
2011	\$119,795	\$158,466	\$28,792	\$249,469
2012	249,469	(30,807)	50,000	168,662

Note 14 – Joint Ventures and Jointly Governed Organizations

A. Joint Ventures

1. Golden Valley, Crystal, and New Hope Joint Water Commission

The City is a member of a joint powers agreement, together with the cities of Golden Valley and New Hope, which established a Joint Water Commission (JWC). The JWC was created in 1963 to provide for the creation and maintenance of a joint water supply, distribution, and support system through which water purchased from the City of Minneapolis can be supplied to the population of the member cities.

The city council of each member city is entitled to appoint one member to the JWC. Original construction costs were allocated to the member cities based on percentages agreed upon in the joint powers agreement. All property acquired under this agreement is owned by the members in proportion to the amount of construction costs paid by each member city. All subsequent operating and maintenance costs are apportioned to, and paid by, each member city on the basis of water usage.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 14 – Joint Ventures and Jointly Governed Organizations (Continued)

A. Joint Ventures (Continued)

1. Golden Valley, Crystal, and New Hope Joint Water Commission (Continued)

The City's equity interest and its share of the net income (loss) of the JWC are reported in the City's Water Fund (an Enterprise Fund). The City's equity interest in the JWC at December 31, 2012 is \$722,800.

Due to concurrent timing of the City's fiscal year end and audit of the JWC, the City reports its equity interest in the JWC with a one-year lag. The following financial information is from the JWC's audited financial statements for the year ended December 31, 2011:

TOTAL ASSETS	\$ 3,505,492
TOTAL LIABILITIES	919,795
NET ASSETS	
Invested in capital assets, net of related debt	1,039,268
Restricted for capital improvements	737,641
Unrestricted	808,788
Total Net Assets	\$ 2,585,697
TOTAL PROGRAM EXPENSES	\$ 7,327,533
TOTAL PROGRAM REVENUES	7,797,419
NET PROGRAM REVENUE	469,886
TOTAL GENERAL REVENUES	120,142
CHANGE IN NET ASSETS	590,028
NET ASSETS	
Beginning of year	1,995,669
End of year	\$ 2,585,697

JWC audited financial statements are available from the City of Golden Valley, Finance Department, 7800 Golden Valley Road, Golden Valley, MN 55427.

2. West Metro Fire-Rescue District

Effective January 2, 1998, the City entered into a joint powers agreement with the City of New Hope for the purpose of consolidating fire departments of the two cities. Operations commenced in July 1988 under the name of West Metro Fire-Rescue District (the District).

The District is governed by a seven-member board of directors that includes one Crystal City Council member who is appointed by resolution, one public member appointed by the City Council, and the City Manager, who serves ex officio.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 14 – Joint Ventures and Jointly Governed Organizations (Continued)

A. Joint Ventures (Continued)

2. West Metro Fire-Rescue District (Continued)

As required by the agreement, the City transferred fire department equipment to the District, retaining its rights to these assets in the event of the District's dissolution. The equipment transferred had a cost value of \$1,923,820. The District recorded only the rolling stock received and recorded it at its estimated fair value. Other equipment items were not capitalized.

The City's equity interest and its share of the net income (loss) of the District are reported only in the government-wide financial statements. It is not reported in the General Fund because the equity interest represents equity primarily in capital assets vs. financial resources. The City's equity interest in the District at December 31, 2012 is \$2,743,669.

Due to concurrent timing of the City's fiscal year end and audit of the District, the City reports its equity interest in the District with a one-year lag. The following financial information is from the District's audited financial statements for the year ended December 31, 2011:

TOTAL ASSETS	\$ 5,959,672
TOTAL LIABILITIES	<u>615,439</u>
NET ASSETS	
Invested in capital assets	1,703,418
Restricted for donor approved purposes	117,633
Unrestricted	<u>3,523,182</u>
Total Net Assets	<u><u>\$ 5,344,233</u></u>
TOTAL PROGRAM EXPENSES	\$ 2,116,377
TOTAL PROGRAM REVENUES	<u>3,290,446</u>
NET PROGRAM REVENUE	1,174,069
TOTAL GENERAL REVENUES	<u>30,916</u>
CHANGE IN NET ASSETS	1,204,985
NET ASSETS	
Beginning of year	<u>4,139,248</u>
End of year	<u><u>\$ 5,344,233</u></u>

The activities of the District will continue to be funded entirely by the cities of Crystal and New Hope, with each city contributing its proportionate share of the annual operating budget in monthly installments. According to a formula in the agreement, the City's share of the District's operating budget is 51%.

Audited financial statements are available from West Metro Fire-Rescue District, 4251 Xylon Avenue N., New Hope, MN 55428.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 14 – Joint Ventures and Jointly Governed Organizations (Continued)

B. Jointly Governed Organizations

1. Local Government Information Systems Association (LOGIS)

The City is a member of LOGIS, a consortium of Minnesota government entities that provides computerized data processing and support services to its members. LOGIS is legally separate from the City, the City does not appoint a voting majority of the Board, and it is fiscally independent of the City. The amount paid to LOGIS for services received in 2012 was \$257,416, which was allocated to various funds based on application usage.

2. LOGIS Insurance Group

This group provides cooperative purchasing of health and life insurance benefits for over 40 government entities. The amount paid for 2012 health and life insurance benefits was \$890,680.

3. Pets Under Police Security (PUPS)

The City is party to a joint powers agreement, together with five other cities, which created an organization to provide for the efficient and economical impoundment of animals in a jointly owned and operated facility. The amount paid to PUPS for services received in 2012 was \$19,487.

4. Bassett Creek Watershed Management Commission (BCWMC)

The City is party to a joint powers agreement, together with eight other cities, the purpose of which is to provide for cooperative planning, usage, and improvement of the Bassett Creek watershed. The amount paid to BCWMC in 2012 was \$24,941.

5. Shingle Creek Watershed Management Commission (SCWMC)

The City is party to a joint powers agreement, together with eight other cities, which was created to protect and manage the water resources of the Shingle Creek watershed. The amount paid to SCWMC in 2012 was \$26,500.

6. Hennepin Recycling Group (HRG)

The City is party to a joint powers agreement, together with the cities of Brooklyn Center and New Hope, which established HRG. HRG was created to provide for the efficient and economical collection, recycling, and disposal of solid waste within the cities. HRG contracts for collection and recycling activities and the participating cities are billed for services provided to its residents.

The amount paid to HRG for services received in 2012 was \$323,652. Accounting services for HRG were provided by the City, which has reported the financial accounts of HRG in an Agency Fund in these financial statements.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 15 – Facility Use Agreement

On August 24, 2004, the City entered into a licensor-licensee relationship with ISD 281. Per terms of the agreement, the City contributed \$900,000 towards the cost of constructing and equipping a gymnasium. In return, the City is entitled to use the space for public recreation, as well as programs and services for its residents. The agreement is for a term of 40 years, from September 1, 2005 through August 31, 2045. ISD 281 has title to the property and is responsible for all subsequent operations and maintenance costs.

Note 16 – Funds Opened and Closed During the Current Year

The Community Development Block Grant (CDBG) Fund was re-opened and re-closed during the current year to account for additional activity. Net sale proceeds from the sale of one residential property were passed through to Hennepin County, administrator of the CDBG program. Because net sale proceeds revert to Hennepin County, the net realizable value of CDBG properties are not included in Land Held for Resale.

Note 17 – Commitments

At December 31, 2012, the City had the following construction contract commitments outstanding:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
Replacement of condensing unit at Crystal Community Center	Uhl Co. Inc.	\$69,500	\$34,750
Phase 12 street reconstruction	Northwest Asphalt Inc.	5,587,420	869,773
No. branch Bassett Creek erosion control project	Sunram Construction	655,385	535,790

The City is party to a cost-sharing agreement with Hennepin County to reconstruct the portion of Hennepin County Highway 81 which runs through the City. The cost-sharing agreement relates to property acquisition and construction for this multi-year project, which began in 2009 and is expected to run through 2014. The best estimate of the City's total costs at this point in time is \$4 million (including \$2,600,000 of existing and planned bonded debt issued to Hennepin County). As of December 31, 2012, \$3,155,570 (including \$1,871,114 of payments on bonded debt) had been paid under the cost-sharing agreement and the unspecified balance will be paid in subsequent years.

Note 18 – Contingent Liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 19 – Change In Accounting Principle

For the year ended December 31, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This action resulted in re-titling Net Assets as Net Position and Investment in Capital Assets Net of Related Debt as Net Investment in Capital Assets.

Note 20 – Prior Period Adjustments

A. Restatement Of \$1,275,000 To Defer Municipal Street Aid (MSA) received from the State of Minnesota

The City has restated (increased) beginning fund balance and net position of the Street Reconstruction Fund by \$1,275,000 to defer the inflow of resources. The City is the recipient of MSA aid from the State of Minnesota. MSA is a formula grant with annual allocations intended to help the City offset construction and maintenance costs associated with specifically identified roads. The State permits the City to draw from future annual allocations as projects are completed and tracks advances made on future years' entitlements. In prior years the City recognized these advances as revenue upon receipt of the aid.

During the current year the City identified this revenue stream as a government-mandated non-exchange transaction subject to provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. GASB Statement No. 33 directs that revenue recognition of such formula grants occur when eligibility requirements (including time requirements) are met.

Since time requirements are not met on the advances until subsequent years' allotments are made, the City has restated beginning fund balance and net position of the Street Reconstruction Fund until time requirements are met and revenue may be recognized.

B. Reclassification Between Funds Of \$476,008 In Tax Increment Revenue

The City has restated beginning fund balance of the EDA Fund and the TIF Districts Fund by (\$476,008) and \$476,008, respectively, in order to reclassify revenue of prior periods.

In 2002 the City began receiving tax increment revenue and making payments on a developer pay-as-you-go note for the LaNel Assisted Living Facility (Facility). This note included a tax deficiency agreement which provided a formula defining a minimum amount of property taxes that were to be paid by the Facility. In the event that the actual property taxes paid by the Facility fell short of the amount defined by the formula, the property owner was to pay the shortfall to the City.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2012

Note 20 – Prior Period Adjustments (Continued)

B. Reclassification Between Funds Of \$476,008 In Tax Increment Revenue (Continued)

Actual property taxes paid have fallen short of the amount defined by the formula every year since 2002, due to changes made to the property tax system by the State of Minnesota. The City's former financial advisor advised the City that these tax deficiency payments could be considered not to be tax increment revenue and could be deposited in the EDA Fund rather than in the TIF Districts Fund. This practice was followed from 2002 through 2011.

The City's current financial advisor advises the City that these tax deficiency payments were in fact tax increment revenue and should have been deposited in the TIF Districts Fund. The result was an overstatement of fund balance in the EDA Fund and an understatement of fund balance in the TIF Districts Fund relating to prior years.

Note 21 – Subsequent Events

Subsequent to December 31, 2012, the City Council approved the following significant contracts:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>
Phase 13 street reconstruction	Palda & Sons, Inc.	\$5,727,011
Phase 13 engineering services	Short, Elliot and Hendrickson (SEH)	375,797

Note 22 – GASB Statements Issued But Not Yet Implemented

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will reclassify certain assets and liabilities as deferred outflows and deferred inflows of resources. The provisions of GASB Statement No. 65 are effective for fiscal years beginning after December 15, 2012.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will replace the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pension benefits through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The provisions of GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

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**Required
Supplementary
Information**

City of Crystal
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL As A % Of Covered Payroll ((b-a) / c)
01/01/10	\$0	\$1,310,145	\$1,310,145	0%	\$5,637,685	23%
01/01/11 *	0	1,373,699	1,373,699	0%	5,891,381	23%
01/01/12	0	1,164,949	1,164,949	0%	5,799,414	20%

* Because an actuarial valuation is being performed once every two years (in even years), the liabilities and annual costs are based on the same population as the previous year's liabilities and annual costs.

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**Combining &
Individual Funds**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

TIF Districts – This fund accounts for activities of the City's tax increment financing (TIF) districts. The main financing sources include tax increment revenue and interest.

CDBG – This fund accounts for activities of the Community Development Block Grant program. The main financing source is net sale proceeds, derived from the sale of residential properties previously purchased with grant funding.

Special Projects – This fund is used to account for miscellaneous grants as well as revenues and expenditures relating to DWI-forfeited vehicles. In addition, this fund is used to account for revenues and expenditures of funds donated for ongoing, city-specified projects that may otherwise not be accomplished due to lack of funding.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities of the City, with the exception of those financed by Proprietary Funds.

Police Equipment Revolving – This fund is used to account for capital acquisitions of the City's police department. The fund was initially funded by a 1999 refund of the City's proportionate share of residual assets in the overfunded PERA police consolidation account, which was merged with the PERA Police and Fire Fund. Financing sources may include transfers from other funds, interest, and proceeds from the sale of equipment.

Fire Equipment Revolving – This fund is used to accumulate funds to pay for the replacement of fire trucks. Financing sources may include transfers from other funds as well as interest.

Street Maintenance – This fund is used to account for transactions and reserves relating to street sealcoat projects in areas of the City where streets have previously been reconstructed. In addition, miscellaneous mill and overlay and pavement maintenance projects are accounted for in this fund. Financing sources may include transfers from the General Fund, special assessments, cost reimbursements, and interest.

City of Crystal
COMBINING BALANCE SHEET
 Nonmajor Governmental Funds
 December 31, 2012

	Special Revenue			Total
	TIF Districts	CDBG	Special Projects	
ASSETS				
Cash and cash equivalents	\$100,029	\$0	\$6,945	\$106,974
Investments	1,539,337	0	101,292	1,640,629
Accrued interest	3,780	0	0	3,780
Delinquent taxes receivable	33,559	0	0	33,559
Special assessments receivable	0	0	0	0
Due from other governments	1,484	0	10,175	11,659
TOTAL ASSETS	<u><u>\$1,678,189</u></u>	<u><u>\$0</u></u>	<u><u>\$118,412</u></u>	<u><u>\$1,796,601</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$45,901	\$0	\$2,535	\$48,436
Due to other governments	2,873	0	125	2,998
Deferred revenue	33,559	0	0	33,559
Total Liabilities	82,333	0	2,660	84,993
Fund Balances:				
Restricted	1,595,856	0	45,518	1,641,374
Committed	0	0	0	0
Assigned	0	0	70,234	70,234
Total Fund Balances	<u><u>1,595,856</u></u>	<u><u>0</u></u>	<u><u>115,752</u></u>	<u><u>1,711,608</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,678,189</u></u>	<u><u>\$0</u></u>	<u><u>\$118,412</u></u>	<u><u>\$1,796,601</u></u>

Capital Projects				Total
Police Equipment Revolving	Fire Equipment Revolving	Street Maintenance	Total	Nonmajor Governmental Funds
\$194,050	\$38,693	\$113,776	\$346,519	\$453,493
2,986,243	595,447	1,750,901	5,332,591	6,973,220
12,908	2,521	7,674	23,103	26,883
0	0	0	0	33,559
0	0	179,886	179,886	179,886
0	0	574	574	12,233
<u>\$3,193,201</u>	<u>\$636,661</u>	<u>\$2,052,811</u>	<u>\$5,882,673</u>	<u>\$7,679,274</u>
\$1,904	\$0	\$0	\$1,904	\$50,340
0	0	0	0	2,998
0	0	179,886	179,886	213,445
1,904	0	179,886	181,790	266,783
0	0	0	0	1,641,374
3,191,297	636,661	1,872,925	5,700,883	5,700,883
0	0	0	0	70,234
<u>3,191,297</u>	<u>636,661</u>	<u>1,872,925</u>	<u>5,700,883</u>	<u>7,412,491</u>
<u>\$3,193,201</u>	<u>\$636,661</u>	<u>\$2,052,811</u>	<u>\$5,882,673</u>	<u>\$7,679,274</u>

City of Crystal
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2012

	Special Revenue			Total
	TIF Districts	CDBG	Special Projects	
REVENUES				
Property taxes	\$375,679	\$0	\$879	\$376,558
Special assessments	0	0	0	0
Intergovernmental	0	0	22,421	22,421
Charges for sales and/or services	0	4,564	0	4,564
Fines and forfeitures	0	0	24,533	24,533
Interest	24,073	0	0	24,073
Net increase (decrease) in fair value of investments	(5,208)	0	0	(5,208)
Miscellaneous	44,122	0	48,237	92,359
Total Revenues	438,666	4,564	96,070	539,300
EXPENDITURES				
Current -				
General government	0	0	7,403	7,403
Public safety	0	0	57,976	57,976
Public works	0	0	0	0
Parks and recreation	0	0	12,138	12,138
Community development	253,040	4,564	0	257,604
Capital outlay	0	0	0	0
Debt service -				
Principal	90,554	0	0	90,554
Interest and other fees	94,408	0	0	94,408
Total Expenditures	438,002	4,564	77,517	520,083
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	664	0	18,553	19,217
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property and equipment	0	0	0	0
Transfers in	0	0	0	0
Transfers out	(1,349,127)	0	0	(1,349,127)
Total Other Financing Sources (Uses)	(1,349,127)	0	0	(1,349,127)
NET CHANGE IN FUND BALANCES	(1,348,463)	0	18,553	(1,329,910)
FUND BALANCES - BEGINNING OF YEAR	2,468,311	0	97,199	2,565,510
Prior period adjustment	476,008	0	0	476,008
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	2,944,319	0	97,199	3,041,518
FUND BALANCES - END OF YEAR	\$1,595,856	\$0	\$115,752	\$1,711,608

Capital Projects				Total
Police Equipment Revolving	Fire Equipment Revolving	Street Maintenance	Total	Nonmajor Governmental Funds
\$0	\$0	\$0	\$0	\$376,558
0	0	37,387	37,387	37,387
864	0	0	864	23,285
0	0	28	28	4,592
0	0	0	0	24,533
49,645	9,696	29,517	88,858	112,931
(10,740)	(2,098)	(6,386)	(19,224)	(24,432)
0	0	0	0	92,359
39,769	7,598	60,546	107,913	647,213
0	0	0	0	7,403
7,259	0	0	7,259	65,235
0	0	165,559	165,559	165,559
0	0	0	0	12,138
0	0	0	0	257,604
162,033	0	0	162,033	162,033
11,019	0	0	11,019	101,573
1,382	0	0	1,382	95,790
181,693	0	165,559	347,252	867,335
(141,924)	7,598	(105,013)	(239,339)	(220,122)
34,142	0	0	34,142	34,142
114,400	0	69,300	183,700	183,700
0	0	0	0	(1,349,127)
148,542	0	69,300	217,842	(1,131,285)
6,618	7,598	(35,713)	(21,497)	(1,351,407)
3,184,679	629,063	1,908,638	5,722,380	8,287,890
0	0	0	0	476,008
3,184,679	629,063	1,908,638	5,722,380	8,763,898
<u>\$3,191,297</u>	<u>\$636,661</u>	<u>\$1,872,925</u>	<u>\$5,700,883</u>	<u>\$7,412,491</u>

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
TIF Districts - Special Revenue
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$388,900	\$391,250	\$375,679	(\$15,571)
Charges for sales and/or services	110,000	110,000	0	(110,000)
Interest	9,300	9,300	24,073	14,773
Net increase (decrease) in fair value of investments	0	0	(5,208)	(5,208)
Miscellaneous	0	850	44,122	43,272
Total Revenues	<u>508,200</u>	<u>511,400</u>	<u>438,666</u>	<u>(72,734)</u>
EXPENDITURES				
Current -				
Community development	315,355	341,205	253,040	88,165
Capital outlay	50,000	50,000	0	50,000
Debt service -				
Principal	88,661	90,561	90,554	7
Interest and other fees	94,408	94,408	94,408	0
Total Expenditures	<u>548,424</u>	<u>576,174</u>	<u>438,002</u>	<u>138,172</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,224)	(64,774)	664	65,438
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,000)	(1,346,724)	(1,349,127)	(2,403)
NET CHANGE IN FUND BALANCES	(46,224)	(1,411,498)	(1,348,463)	63,035
FUND BALANCES - BEGINNING OF YEAR	2,468,311	2,468,311	2,468,311	0
Prior period adjustment	0	0	476,008	476,008
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	<u>2,468,311</u>	<u>2,468,311</u>	<u>2,944,319</u>	<u>476,008</u>
FUND BALANCES - END OF YEAR	<u>\$2,422,087</u>	<u>\$1,056,813</u>	<u>\$1,595,856</u>	<u>\$539,043</u>

City of Crystal
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 CDBG - Special Revenue
 For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for sales and/or services	\$0	\$0	\$4,564	\$4,564
EXPENDITURES				
Current -				
Community development	0	0	4,564	(4,564)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	0	0
FUND BALANCES - BEGINNING OF YEAR	0	0	0	0
FUND BALANCES - END OF YEAR	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Special Projects - Special Revenue
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$0	\$0	\$879	\$879
Intergovernmental	15,000	15,000	22,421	7,421
Fines and forfeitures	15,000	15,000	24,533	9,533
Miscellaneous	26,000	34,600	48,237	13,637
	<u>56,000</u>	<u>64,600</u>	<u>96,070</u>	<u>31,470</u>
EXPENDITURES				
Current -				
General government	4,000	4,000	7,403	(3,403)
Public safety	45,000	53,600	57,976	(4,376)
Parks and recreation	7,000	7,000	12,138	(5,138)
Capital outlay	18,000	18,000	0	18,000
	<u>74,000</u>	<u>82,600</u>	<u>77,517</u>	<u>5,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(18,000)	(18,000)	18,553	36,553
FUND BALANCES - BEGINNING OF YEAR				
	<u>97,199</u>	<u>97,199</u>	<u>97,199</u>	<u>0</u>
FUND BALANCES - END OF YEAR				
	<u><u>\$79,199</u></u>	<u><u>\$79,199</u></u>	<u><u>\$115,752</u></u>	<u><u>\$36,553</u></u>

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Police Equipment Revolving - Capital Projects
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$0	\$0	\$864	\$864
Interest	41,580	41,580	49,645	8,065
Net increase (decrease) in fair value of investments	0	0	(10,740)	(10,740)
Total Revenues	41,580	41,580	39,769	(1,811)
EXPENDITURES				
Current -				
Public safety	9,800	9,800	7,259	2,541
Capital outlay	143,700	159,700	162,033	(2,333)
Debt service -				
Principal	11,019	11,019	11,019	0
Interest	1,383	1,383	1,382	1
Total Expenditures	165,902	181,902	181,693	209
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,322)	(140,322)	(141,924)	(1,602)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property and equipment	10,000	26,000	34,142	8,142
Transfers in	114,400	114,400	114,400	0
Total Other Financing Sources (Uses)	124,400	140,400	148,542	8,142
NET CHANGE IN FUND BALANCES	78	78	6,618	6,540
FUND BALANCES - BEGINNING OF YEAR	3,184,679	3,184,679	3,184,679	0
FUND BALANCES - END OF YEAR	<u>\$3,184,757</u>	<u>\$3,184,757</u>	<u>\$3,191,297</u>	<u>\$6,540</u>

City of Crystal
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 Fire Equipment Revolving - Capital Projects
 For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$4,800	\$4,800	\$9,696	\$4,896
Net increase (decrease) in fair value of investments	0	0	(2,098)	(2,098)
Total Revenues	4,800	4,800	7,598	2,798
FUND BALANCES - BEGINNING OF YEAR	629,063	629,063	629,063	0
FUND BALANCES - END OF YEAR	\$633,863	\$633,863	\$636,661	\$2,798

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Street Maintenance - Capital Projects
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special assessments	\$35,821	\$35,821	\$37,387	\$1,566
Charges for sales and/or services	0	0	28	28
Interest	26,653	26,653	29,517	2,864
Net increase (decrease) in fair value of investments	0	0	(6,386)	(6,386)
Total Revenues	62,474	62,474	60,546	(1,928)
EXPENDITURES				
Current - Public works	201,493	201,493	165,559	35,934
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(139,019)	(139,019)	(105,013)	34,006
OTHER FINANCING SOURCES (USES)				
Transfers in	69,300	69,300	69,300	0
NET CHANGE IN FUND BALANCES				
	(69,719)	(69,719)	(35,713)	34,006
FUND BALANCES - BEGINNING OF YEAR				
	1,908,638	1,908,638	1,908,638	0
FUND BALANCES - END OF YEAR				
	<u>\$1,838,919</u>	<u>\$1,838,919</u>	<u>\$1,872,925</u>	<u>\$34,006</u>

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Debt Service
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$746,165	\$746,165	\$742,899	(\$3,266)
Special assessments	1,321,855	1,321,855	1,580,280	258,425
Intergovernmental			0	0
Interest	48,600	48,600	57,121	8,521
Net increase (decrease) in fair value of investments	0	0	(11,698)	(11,698)
Total Revenues	2,116,620	2,116,620	2,368,602	251,982
EXPENDITURES				
Debt service -				
Principal	1,399,109	1,399,109	1,399,109	0
Interest and other fees	395,294	395,294	394,824	470
Total Expenditures	1,794,403	1,794,403	1,793,933	470
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	322,217	322,217	574,669	252,452
FUND BALANCES - BEGINNING OF YEAR	3,831,273	3,831,273	3,831,273	0
FUND BALANCES - END OF YEAR	\$4,153,490	\$4,153,490	\$4,405,942	\$252,452

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Capital Improvement Revolving - Capital Projects
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special assessments	\$115,800	\$167,015	\$193,306	\$26,291
Intergovernmental	5,000	90,984	85,984	(5,000)
Charges for sales and/or services	0	0	70	70
Interest	115,650	115,650	135,009	19,359
Net increase (decrease) in fair value of investments	0	0	(29,209)	(29,209)
Miscellaneous	28,950	28,950	30,744	1,794
Total Revenues	265,400	402,599	415,904	13,305
EXPENDITURES				
Capital Outlay	991,600	1,150,971	929,245	221,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(726,200)	(748,372)	(513,341)	235,031
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property and equipment	0	19,146	22,027	2,881
Transfers in	726,200	732,659	732,659	0
Total Other Financing Sources (Uses)	726,200	751,805	754,686	2,881
NET CHANGE IN FUND BALANCES	0	3,433	241,345	237,912
FUND BALANCES - BEGINNING OF YEAR	8,607,284	8,607,284	8,607,284	0
FUND BALANCES - END OF YEAR	<u>\$8,607,284</u>	<u>\$8,610,717</u>	<u>\$8,848,629</u>	<u>\$237,912</u>

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Street Reconstruction - Capital Projects
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special assessments	\$1,133,617	\$1,133,617	\$1,449,246	\$315,629
Intergovernmental	0	0	630,682	630,682
Interest	63,823	63,823	64,427	604
Net increase (decrease) in fair value of investments	0	0	(13,938)	(13,938)
Miscellaneous	9,575	9,575	222,044	212,469
Total Revenues	1,207,015	1,207,015	2,352,461	1,145,446
EXPENDITURES				
Current -				
Public works	10,380	10,380	10,380	0
Capital outlay	4,525,810	4,530,183	5,289,219	(759,036)
Debt service -				
Interest and other fees	61,000	61,000	48,333	12,667
Total Expenditures	4,597,190	4,601,563	5,347,932	(746,369)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,390,175)	(3,394,548)	(2,995,471)	399,077
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	2,772,021	2,772,021	2,635,000	(137,021)
Premium on bonds issued	0	0	70,531	70,531
Total Other Financing Sources (Uses)	2,772,021	2,772,021	2,705,531	(66,490)
NET CHANGE IN FUND BALANCES	(618,154)	(622,527)	(289,940)	332,587
FUND BALANCES - BEGINNING OF YEAR	4,028,317	4,028,317	4,028,317	0
Prior period adjustment	0	0	(1,275,000)	(1,275,000)
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	4,028,317	4,028,317	2,753,317	(1,275,000)
FUND BALANCES - END OF YEAR	\$3,410,163	\$3,405,790	\$2,463,377	(\$942,413)

City of Crystal
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Major Building Replacement - Capital Projects
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$140,000	\$140,000	\$152,570	\$12,570
Net increase (decrease) in fair value of investments	<u>0</u>	<u>0</u>	<u>(33,008)</u>	<u>(33,008)</u>
Total Revenues	140,000	140,000	119,562	(20,438)
EXPENDITURES				
Current -				
Public works	<u>0</u>	<u>65,490</u>	<u>56,354</u>	<u>9,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	140,000	74,510	63,208	(11,302)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>0</u>	<u>600,000</u>	<u>600,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	140,000	674,510	663,208	(11,302)
FUND BALANCES - BEGINNING OF YEAR	<u>9,645,755</u>	<u>9,645,755</u>	<u>9,645,755</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$9,785,755</u></u>	<u><u>\$10,320,265</u></u>	<u><u>\$10,308,963</u></u>	<u><u>(\$11,302)</u></u>

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Internal Service Funds

Internal Service Funds are used to account, on a cost-reimbursement basis, for the financing of goods or services provided by one department to other departments of the City.

Self-Insurance – This fund is used to account for and finance the City's uninsured risks of loss. Charges are made to various funds of the City to recoup insurance premiums and claims paid.

Post Employment Health Benefits – This fund is used to account for and finance the City's liability associated with providing post employment health benefits to eligible retirees of the City. Currently, no charges are being made to various funds of the City to recoup premiums paid, as the existing net position of the fund is deemed sufficient to provide required benefits for the remaining retirees into the foreseeable future. The need to resume charges for services will be evaluated on an ongoing, annual basis.

City of Crystal
 COMBINING STATEMENT OF NET POSITION
 Internal Service Funds
 December 31, 2012

	<u>Self- Insurance</u>	<u>Post Employment Health Benefits</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$65,603	\$11,600	\$77,203
Investments	1,009,567	178,521	1,188,088
Accrued interest	<u>3,909</u>	<u>816</u>	<u>4,725</u>
Total Assets	1,079,079	190,937	1,270,016
LIABILITIES			
Current Liabilities:			
Accounts payable	169,554	32,580	202,134
Due to other governments	<u>25,664</u>	<u>0</u>	<u>25,664</u>
Total Liabilities	<u>195,218</u>	<u>32,580</u>	<u>227,798</u>
NET POSITION			
Unrestricted	<u>\$883,861</u>	<u>\$158,357</u>	<u>\$1,042,218</u>

City of Crystal
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 Internal Service Funds
 For the Year Ended December 31, 2012

	Self- Insurance	Post Employment Health Benefits	Total
OPERATING REVENUES			
Charges for sales and/or services	\$164,914	\$0	\$164,914
Miscellaneous	98,677	0	98,677
Total Operating Revenues	263,591	0	263,591
OPERATING EXPENSES			
Insurance	129,969	0	129,969
OPERATING INCOME (LOSS)	133,622	0	133,622
NON-OPERATING REVENUES (EXPENSES)			
Interest	15,036	3,137	18,173
Net increase (decrease) in fair value of investments	(3,253)	(679)	(3,932)
Total Non-Operating Revenues (Expenses)	11,783	2,458	14,241
CHANGE IN NET POSITION	145,405	2,458	147,863
NET POSITION - BEGINNING OF YEAR	738,456	155,899	894,355
NET POSITION - END OF YEAR	<u>\$883,861</u>	<u>\$158,357</u>	<u>\$1,042,218</u>

City of Crystal
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the Year Ended December 31, 2012

	<u>Self- Insurance</u>	<u>Post Employment Health Benefits</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$263,591	\$0	\$263,591
Payments to suppliers	<u>(180,923)</u>	<u>(20,817)</u>	<u>(201,740)</u>
Net cash provided by (used for) operating activities	82,668	(20,817)	61,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	523,950	124,037	647,987
Purchase of investments	(651,435)	(115,193)	(766,628)
Interest received	<u>16,603</u>	<u>3,647</u>	<u>20,250</u>
Net cash provided by (used for) investing activities	<u>(110,882)</u>	<u>12,491</u>	<u>(98,391)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,214)	(8,326)	(36,540)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>93,817</u>	<u>19,926</u>	<u>113,743</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$65,603</u></u>	<u><u>\$11,600</u></u>	<u><u>\$77,203</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$133,622	\$0	\$133,622
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Changes in assets and liabilities -			
Increase (decrease) in accounts payable	(75,913)	(20,817)	(96,730)
Increase (decrease) in due to other governments	<u>24,959</u>	<u>0</u>	<u>24,959</u>
Net cash provided by (used for) operating activities	<u><u>\$82,668</u></u>	<u><u>(\$20,817)</u></u>	<u><u>\$61,851</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Net increase (decrease) in fair value of investments	<u><u>(\$3,253)</u></u>	<u><u>(\$679)</u></u>	<u><u>(\$3,932)</u></u>

Agency Funds

Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities).

Hennepin Recycling Group – This fund is used to account for the collection, recycling and disposal of solid waste activities of the Hennepin Recycling Group.

City of Crystal
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Fund - Hennepin Recycling Group
For the Year Ended December 31, 2012

	Balance 01/01/12	Additions	Deletions	Balance 12/31/12
ASSETS				
Cash and cash equivalents	\$134,008	\$33,328	\$58,959	\$108,377
Investments	1,264,604	1,076,181	672,964	1,667,821
Accrued interest	7,963	6,552	7,963	6,552
TOTAL ASSETS	<u>\$1,406,575</u>	<u>\$1,116,061</u>	<u>\$739,886</u>	<u>\$1,782,750</u>
LIABILITIES				
Accounts payable	\$24,754	\$50,589	\$24,754	\$50,589
Due to other governments	66,550	70,506	66,550	70,506
Due to Hennepin Recycling Group	1,315,271	994,966	648,582	1,661,655
TOTAL LIABILITIES	<u>\$1,406,575</u>	<u>\$1,116,061</u>	<u>\$739,886</u>	<u>\$1,782,750</u>

**STATISTICAL
SECTION**

Statistical Section

This part of the City of Crystal's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:

Financial Trends – <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	Tables 1-4
Revenue Capacity – <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	Tables 5-8
Debt Capacity – <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	Tables 9-12
Demographic and Economic Information – <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	Table 13-14
Operating Information – <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	Table 15-17

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Crystal
NET POSITION BY COMPONENT
(Accrual Basis of Accounting)
Last Ten Fiscal Years
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	Restated 2011	2012
Governmental Activities -										
Net investment in capital assets	\$22,158,302	\$25,571,609	\$20,273,145	\$24,893,699	\$25,180,513	\$26,770,028	\$26,770,714	\$26,510,303	\$25,896,999	\$26,574,766
Restricted	27,516,915	8,149,259	9,886,610	10,586,201	10,629,979	11,819,634	13,971,055	13,110,714	13,618,934	14,772,670
Unrestricted	11,008,466	31,632,310	38,666,664	37,472,039	39,131,250	39,002,515	39,960,809	39,847,074	41,984,125 *	43,950,199
Total Governmental Activities Net Position	\$60,683,683	\$65,353,178	\$68,826,419	\$72,951,939	\$74,941,742	\$77,592,177	\$80,702,578	\$79,468,091	\$81,500,058	\$85,297,635
Business-type Activities -										
Net investment in capital assets	\$6,757,454	\$6,967,534	\$6,986,059	\$7,401,411	\$7,382,275	\$8,327,940	\$11,482,129	\$11,450,442	\$12,763,559	\$13,921,133
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	7,573,477	8,698,622	9,521,039	10,720,803	12,682,951	13,815,233	10,912,321	11,563,188	11,319,800	10,416,828
Total Business-type Activities Net Position	\$14,330,931	\$15,666,156	\$16,507,098	\$18,122,214	\$20,065,226	\$22,143,173	\$22,394,450	\$23,013,630	\$24,083,359	\$24,337,961
Primary Government -										
Net investment in capital assets	\$28,915,766	\$32,539,143	\$27,259,204	\$32,295,110	\$32,562,788	\$35,097,968	\$38,252,843	\$37,960,745	\$38,660,558	\$40,495,899
Restricted	27,516,915	8,149,259	9,886,610	10,586,201	10,629,979	11,819,634	13,971,055	13,110,714	13,618,934	14,772,670
Unrestricted	18,581,943	40,330,932	48,187,703	48,192,842	51,814,201	52,817,748	50,873,130	51,410,262	53,303,925	54,367,027
Total Primary Government Net Position	\$75,014,614	\$81,019,334	\$85,333,517	\$91,074,153	\$95,006,968	\$99,735,350	\$103,097,028	\$102,481,721	\$105,583,417	\$109,635,596

* As restated, due to a prior period adjustment

City of Crystal
 CHANGES IN NET POSITION
 (Accrual Basis of Accounting)
 Last Ten Fiscal Years
 (unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	Restated 2011	2012
EXPENSES:										
Governmental Activities -										
General government	\$1,606,962	\$1,607,256	\$1,941,958	\$1,824,361	\$1,868,163	\$2,244,098	\$2,057,275	\$2,115,117	\$2,084,038	\$1,992,060
Public safety	4,491,656	4,094,076	3,870,998	4,114,543	4,758,208	5,205,078	5,317,912	5,979,472	6,247,082	5,605,172
Public works	2,752,566	3,476,393	3,993,615	3,556,148	3,954,963	3,520,939	5,646,176	6,075,243	3,997,978	4,345,225
Parks and recreation	1,980,160	1,837,108	2,617,174	2,043,862	2,359,280	2,481,244	2,467,528	2,494,542	2,475,881	2,110,078
Community development	1,715,549	1,661,519	1,562,509	2,679,817	2,633,846	3,348,828	2,839,775	1,656,365	2,168,725	2,180,213
Interest on long-term debt	717,366	707,947	580,027	859,785	556,108	603,715	501,300	531,689	503,301	498,894
Total Governmental Activities Expenses	13,264,259	13,384,299	14,566,281	15,078,516	15,130,568	17,403,902	18,829,966	18,852,428	17,477,005	16,731,632
Business-type Activities -										
Water	2,601,869	2,200,233	2,252,779	2,228,956	2,275,410	2,199,371	2,679,141	2,482,146	2,930,591	3,094,744
Sanitary sewer	1,666,773	1,541,613	1,845,653	1,724,731	1,791,915	1,879,187	2,073,968	1,934,868	1,928,975	1,874,699
Storm drainage	523,584	530,620	604,916	603,584	420,085	429,906	1,019,228	501,194	600,371	782,897
Street lights	151,864	154,149	159,493	133,285	131,804	177,313	170,521	148,627	186,991	173,308
Recycling	0	0	0	0	299,587	303,729	318,487	322,072	331,918	329,106
Total Business-type Activities Expenses	4,944,090	4,428,615	4,862,841	4,690,556	4,918,801	4,989,506	6,261,345	5,368,907	5,978,846	6,254,754
Total Primary Government Expenses	\$18,208,349	\$17,810,914	\$19,429,122	\$19,769,072	\$20,049,369	\$22,393,408	\$25,091,311	\$24,241,335	\$23,455,851	\$22,986,386
PROGRAM REVENUES:										
Governmental Activities -										
Charges for Services -										
General government	\$210,917	\$210,866	\$247,810	\$241,056	\$237,059	\$285,934	\$232,748	\$205,696	\$278,336	\$240,501
Public safety	178,467	172,321	199,428	224,366	248,284	299,699	324,387	305,692	357,536	369,769
Public works	0	123,779	681,887	219,278	2,924	0	14,504	13,832	0	0
Parks and recreation	370,392	342,138	259,623	461,215	507,166	488,544	433,300	447,166	437,259	463,259
Community development	383,653	596,620	500,512	473,186	543,194	1,683,780	1,086,609	848,120	668,666	685,503
Operating Grants and Contributions	376,443	265,649	748,332	324,984	390,218	451,677	554,288	854,645	1,140,876	1,164,000
Capital Grants and Contributions	1,722,467	5,478,896	3,805,601	6,262,233	2,238,767	4,461,854	6,550,860	2,977,318	4,475,178	6,008,708
Total Governmental Activities Program Revenues	3,242,339	7,190,269	6,443,193	8,206,318	4,167,612	7,671,488	9,176,696	5,652,469	7,357,851	8,931,740
Business-type Activities -										
Charges for Services -										
Water	2,749,532	2,449,373	2,242,256	2,486,581	2,669,137	2,690,721	2,872,639	2,607,834	2,549,324	2,790,363
Sanitary sewer	1,848,083	1,877,891	1,879,105	1,897,566	1,882,054	1,890,849	1,887,052	1,856,830	1,913,165	1,919,725
Storm drainage	449,321	491,664	545,923	610,537	612,811	622,182	641,031	648,338	653,009	676,265
Street lights	148,670	148,771	150,197	149,440	150,711	150,936	154,708	161,702	162,722	162,119
Recycling	0	0	0	0	336,080	330,020	330,626	324,935	334,654	335,214
Operating Grants and Contributions	63,411	70,148	330,070	123,622	226,259	191,073	153,868	171,337	375,631	336,103
Capital Grants and Contributions	0	0	0	0	0	0	0	71,385	938,060	1,695
Total Business-type Activities Program Revenues	5,259,017	5,037,847	5,147,551	5,267,746	5,877,052	5,860,934	6,039,924	5,842,361	6,926,565	6,221,484
Total Primary Government Program Revenues	\$8,501,356	\$12,228,116	\$11,590,744	\$13,474,064	\$10,044,664	\$13,532,422	\$15,216,620	\$11,494,830	\$14,284,416	\$15,153,224

Continued . . .

City of Crystal
CHANGES IN NET POSITION
(Accrual Basis of Accounting)
Last Ten Fiscal Years
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	Restated 2011	2012
Continued from previous page . . .										
NET (EXPENSE) REVENUE										
Governmental Activities	(\$10,021,920)	(\$6,194,030)	(\$8,123,088)	(\$6,872,198)	(\$10,962,956)	(\$9,732,414)	(\$9,653,270)	(\$13,199,959)	(\$10,119,154)	(\$7,799,892)
Business-type Activities	314,927	611,232	284,710	577,190	958,251	871,428	(221,421)	453,454	947,719	(33,270)
Total Primary Government Net Expense	<u>(\$9,706,993)</u>	<u>(\$5,582,798)</u>	<u>(\$7,838,378)</u>	<u>(\$6,295,008)</u>	<u>(\$10,004,705)</u>	<u>(\$8,860,986)</u>	<u>(\$9,874,691)</u>	<u>(\$12,746,505)</u>	<u>(\$9,171,435)</u>	<u>(\$7,833,162)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities -										
Property taxes	\$7,180,129	\$7,346,926	\$7,955,577	\$8,581,070	\$9,107,674	\$9,478,922	\$9,854,813	\$9,231,751	\$9,318,013	\$9,710,807
Grants and contributions not restricted to specific programs	1,963,214	2,055,580	1,495,373	1,401,110	1,757,264	1,821,550	2,074,108	1,616,214	1,618,291	1,478,220
Unrestricted investment earnings	1,058,535	1,292,440	1,126,365	1,635,607	2,411,120	1,773,833	991,016	1,025,552	1,036,201	540,883
Gain on disposition of capital assets	4,489	8,505	17,500	40,399	18,941	11,690	28,242	21,072	38,413	45,139
Transfers	0	(452,574)	(143,963)	(660,468)	(342,240)	(703,146)	(184,508)	70,883	140,203	(177,580)
Total Governmental Activities	<u>10,206,367</u>	<u>10,250,877</u>	<u>10,450,852</u>	<u>10,997,718</u>	<u>12,952,759</u>	<u>12,382,849</u>	<u>12,763,671</u>	<u>11,965,472</u>	<u>12,151,121</u>	<u>11,597,469</u>
Business-type Activities -										
Unrestricted investment earnings	184,901	239,384	231,799	377,458	642,521	500,723	283,159	236,609	240,213	108,888
Gain on disposition of capital assets	5,645	32,095	0	0	0	2,650	5,031	0	22,000	1,404
Transfers	0	452,574	143,963	660,468	342,240	703,146	184,508	(70,883)	(140,203)	177,580
Total Business-type Activities	<u>190,546</u>	<u>723,993</u>	<u>375,762</u>	<u>1,037,926</u>	<u>984,761</u>	<u>1,206,519</u>	<u>472,698</u>	<u>165,726</u>	<u>122,010</u>	<u>287,872</u>
Total Primary Government	<u>\$10,396,913</u>	<u>\$10,974,870</u>	<u>\$10,826,614</u>	<u>\$12,035,644</u>	<u>\$13,937,520</u>	<u>\$13,589,368</u>	<u>\$13,236,369</u>	<u>\$12,131,198</u>	<u>\$12,273,131</u>	<u>\$11,885,341</u>
CHANGE IN NET POSITION										
Governmental Activities	\$184,447	\$4,056,847	\$2,327,764	\$4,125,520	\$1,989,803	\$2,650,435	\$3,110,401	(\$1,234,487)	\$2,031,967	\$3,797,577
Business-type Activities	505,473	1,355,225	660,472	1,615,116	1,943,012	2,077,947	251,277	619,160	1,069,729	254,602
Total Primary Government	<u>\$689,920</u>	<u>\$5,392,072</u>	<u>\$2,988,236</u>	<u>\$5,740,636</u>	<u>\$3,932,815</u>	<u>\$4,728,382</u>	<u>\$3,361,678</u>	<u>(\$615,307)</u>	<u>\$3,101,696</u>	<u>\$4,052,179</u>

* As restated, due to a prior period adjustment

City of Crystal
FUND BALANCES OF GOVERNMENTAL FUNDS
 (Modified Accrual Basis of Accounting)
 Last Ten Fiscal Years
 (unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	Restated 2011	2012
General Fund -										
Committed -										
Compensated absences	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$869,801	\$882,942
Unreserved	8,105,509	8,466,198	6,552,752	6,654,021	6,846,050	6,713,244	7,405,422	7,613,583	0	0
Unassigned	0	0	0	0	0	0	0	0	6,645,169	6,514,525
Total General Fund	\$8,105,509	\$8,466,198	\$6,552,752	\$6,654,021	\$6,846,050	\$6,713,244	\$7,405,422	\$7,613,583	\$7,514,970	\$7,397,467
All Other Governmental Funds -										
Reserved	\$7,016,134	\$5,293,639	\$5,154,628	\$4,272,234	\$5,179,892	\$4,127,667	\$5,252,033	\$5,383,786	\$0	\$0
Restricted -										
Housing and redevelopment assistance	0	0	0	0	0	0	0	0	2,468,311	1,595,856
MURL revolving fund	0	0	0	0	0	0	0	0	29,775	32,852
Debt service	0	0	0	0	0	0	0	0	3,831,273	4,405,942
10% lawful gambling contrib.	0	0	0	0	0	0	0	0	6,323	3,795
DWI-related enforcement, training, and education	0	0	0	0	0	0	0	0	38,188	41,723
Committed -										
Housing and redevelopment assistance	0	0	0	0	0	0	0	0	3,541,003	3,754,395
Cap. outlay - city wide	0	0	0	0	0	0	0	0	8,607,284	8,848,629
Cap. outlay - street reconstruction	0	0	0	0	0	0	0	0	2,753,317	2,463,377
Cap. outlay - replace. and renovation of city bldgs.	0	0	0	0	0	0	0	0	9,645,755	10,308,963
Cap. outlay - police dept.	0	0	0	0	0	0	0	0	3,184,679	3,191,297
Cap. outlay - fire dept.	0	0	0	0	0	0	0	0	629,063	636,661
Cap. outlay - street maint.	0	0	0	0	0	0	0	0	1,908,638	1,872,925
Assigned -										
Police dept. purposes	0	0	0	0	0	0	0	0	7,138	32,058
Park and rec. dept. purposes	0	0	0	0	0	0	0	0	33,275	25,805
Other purposes	0	0	0	0	0	0	0	0	12,275	12,371
Unreserved, reported in -										
Special revenue funds	5,879,121	7,075,442	4,416,604	5,238,693	4,495,651	5,127,735	4,702,340	5,158,888	0	0
Capital projects funds	18,739,852	19,447,001	24,823,846	23,267,549	25,648,147	26,055,543	26,544,020	25,553,862	0	0
Total All Other Governmental Funds	\$31,635,107	\$31,816,082	\$34,395,078	\$32,778,476	\$35,323,590	\$35,310,945	\$36,498,393	\$36,096,536	\$36,696,297	\$37,226,649

* As restated, due to a prior period adjustment

Note: GASB Statement No. 54 was implemented for 2011. 2011 and all subsequent years will be reported in compliance with GASB Statement No. 54. Prior years are reported as previously stated.

City of Crystal
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 (Modified Accrual Basis of Accounting)
 Last Ten Fiscal Years
 (unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	Restated 2011	2012
REVENUES										
Property taxes	\$7,175,429	\$7,334,443	\$7,903,358	\$8,552,947	\$9,059,372	\$9,433,491	\$9,844,690	\$9,200,159	\$9,323,325	\$9,714,591
Special assessments	885,406	2,232,600	1,930,603	2,326,492	1,453,148	2,121,616	3,034,025	2,102,306	2,718,038	3,540,032
Licenses, permits and inspections	511,092	701,191	600,363	584,695	653,873	674,256	616,527	666,542	674,693	670,162
Intergovernmental	2,590,330	3,631,809	2,471,031	2,286,995	3,453,291	2,562,007	2,553,124	3,043,371	2,669,380	2,508,451
Charges for sales and/or services	384,536	339,325	312,645	535,311	585,665	1,849,086	1,085,841	769,153	759,262	826,023
Administrative services provided to other funds	0	0	0	0	251,426	260,226	303,159	273,653	294,594	278,835
Fines and forfeitures	124,143	158,237	148,644	168,838	175,386	269,345	404,871	426,922	353,125	316,496
Interest	1,668,427	1,507,653	1,549,089	1,781,864	1,863,578	1,736,086	1,165,835	913,481	801,534	669,524
Net increase (decrease) in fair value of investments	(663,170)	(215,213)	(422,724)	(146,258)	547,542	37,747	(202,228)	84,828	206,953	(142,882)
Miscellaneous	155,307	287,364	900,148	451,991	253,485	287,955	1,036,102	484,731	379,636	450,274
Total Revenues	12,831,500	15,977,409	15,393,157	16,542,875	18,296,766	19,231,815	19,841,946	17,965,146	18,180,540	18,831,506
EXPENDITURES										
Current -										
General government	1,395,346	1,434,287	1,493,240	1,549,204	1,889,229	2,036,128	2,062,105	2,019,487	1,898,990	2,030,717
Public safety	4,068,020	3,932,540	3,689,022	3,971,734	4,312,806	4,942,650	5,068,676	5,722,179	5,992,955	5,429,833
Public works	855,123	843,200	896,846	922,469	1,016,856	1,070,172	1,169,573	1,121,121	1,450,552	1,315,019
Parks and recreation	1,638,403	1,580,343	1,915,601	1,698,184	1,849,827	1,946,874	1,919,783	1,948,935	1,955,070	1,978,397
Community development	1,008,720	920,435	903,027	1,194,351	1,581,223	1,131,500	1,451,652	1,425,627	1,382,770	1,408,056
Capital outlay	1,867,635	5,756,186	7,074,164	9,276,943	2,992,661	7,838,976	9,247,869	4,112,480	4,528,799	7,052,365
Debt service -										
Principal	1,536,127	2,601,378	1,484,191	2,248,238	1,641,041	2,464,034	1,118,889	1,599,619	1,810,083	1,500,682
Interest and other fees	686,282	703,730	596,145	817,560	562,842	608,505	507,246	549,775	529,299	538,947
Total Expenditures	13,055,656	17,772,099	18,052,336	21,678,683	15,846,485	22,038,839	22,545,973	19,290,223	19,548,518	21,254,016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(224,156)	(1,794,690)	(2,659,179)	(5,135,808)	2,450,281	(2,807,024)	(2,704,027)	(1,325,077)	(1,367,978)	(2,422,510)
OTHER FINANCING SOURCES (USES)										
Issuance of bonds	0	1,991,000	3,835,000	1,855,000	0	2,190,000	4,564,778	1,000,222	1,705,000	2,635,000
Issuance of refunding bonds	0	464,000	0	0	0	0	0	1,204,778	0	0
Issuance of certificates of indebtedness	545,000	0	0	0	0	0	0	0	0	0
Issuance of notes payable	144,831	0	0	0	0	0	0	58,501	0	0
Payment to refunded bond escrow agent	0	(995,000)	(940,000)	0	0	0	0	0	0	0
Refunded bonds redeemed	0	0	0	0	0	0	0	(1,204,778)	0	0
Proceeds from sale of property and equipment	607,437	890,454	452,999	1,745,991	336,571	18,716	28,592	32,158	41,314	56,169
Premium on debt issued	0	0	0	0	0	0	0	0	0	70,531
Discount on debt issued	(1,820)	(14,100)	(23,270)	(10,516)	0	(1,069)	(43,680)	0	(17,391)	0
Transfers in	2,191,666	2,871,037	3,924,152	2,632,348	10,006,272	2,974,226	987,463	1,135,907	1,646,572	2,665,486
Transfers out	(2,191,666)	(2,871,037)	(3,924,152)	(2,602,348)	(10,055,981)	(2,520,300)	(953,500)	(1,095,407)	(1,506,369)	(2,791,827)
Total Other Financing Sources (Uses)	1,295,448	2,336,354	3,324,729	3,620,475	286,862	2,661,573	4,583,653	1,131,381	1,869,126	2,835,359
NET CHANGE IN FUND BALANCES	\$1,071,292	\$541,664	\$665,650	(\$1,515,333)	\$2,737,143	(\$145,451)	\$1,879,626	(\$193,696)	\$501,148	\$412,849
Debt service as a percentage of noncapital expenditures	18%	24%	15%	20%	15%	17%	9%	13%	14%	13%

* As restated, due to a prior period adjustment

Table 5

City of Crystal
TAXABLE AND ESTIMATED MARKET VALUES OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Real Property			Personal Property	Total Taxable Market Value	Total Direct Tax Rate	Estimated Actual Market Value	Total Taxable Market Value as a Percent of Estimated Actual Market Value
	Residential	Appartments	Commercial Industrial					
2003	\$948,827,400	\$97,557,100	\$125,263,900	\$11,739,900	\$1,183,388,300	42.995	\$1,335,916,300	88.58%
2004	1,074,183,200	106,903,000	128,108,800	12,242,400	1,321,437,400	41.451	1,474,676,200	89.61%
2005	1,235,659,800	113,941,000	132,701,600	12,579,000	1,494,881,400	39.589	1,569,727,700	95.23%
2006	1,404,411,200	114,698,000	153,640,900	12,588,500	1,685,338,600	37.887	1,705,226,200	98.83%
2007	1,509,899,500	114,201,000	172,061,800	12,698,800	1,808,861,100	37.174	1,818,843,400	99.45%
2008	1,557,426,100	112,622,000	190,934,900	12,133,500	1,873,116,500	36.564	1,875,651,300	99.86%
2009	1,480,780,567	111,623,000	190,548,200	11,717,000	1,794,668,767	39.789	1,799,864,267	99.71%
2010	1,359,108,500	109,744,000	177,950,600	11,371,300	1,658,174,400	44.270	1,663,404,700	99.69%
2011	1,214,915,800	101,790,000	162,932,900	11,554,800	1,491,193,500	48.764	1,496,063,900	99.67%
2012	1,019,240,647	100,691,000	161,022,000	11,783,600	1,292,737,247	52.929	1,457,765,100	88.68%

Source: Hennepin County

City of Crystal
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	City Direct Tax Rates			Total City Direct Tax Rate	Robbinsdale ISD #281	Hennepin County	Special Districts *	Total Tax Capacity Tax Rate	Crystal Debt Service Market Value Rate	Robbinsdale ISD #281 Market Value Rate	Total Overlapping Tax Rate
	Basic Rate	HRA	G.O. Debt Service								
2003	39.458	1.229	0.000	40.687	29.179	50.607	7.757	128.230	0.000	0.184	128.414
2004	40.218	1.233	0.000	41.451	34.258	47.324	7.488	130.521	0.000	0.166	130.687
2005	38.334	1.255	0.000	39.589	29.989	44.172	7.382	121.132	0.015	0.150	121.297
2006	36.748	1.139	0.000	37.887	28.489	41.016	6.998	114.390	0.013	0.163	114.566
2007	36.059	1.115	0.000	37.174	28.750	39.110	7.310	112.344	0.012	0.143	112.499
2008	35.441	1.123	0.000	36.564	27.243	38.571	7.397	109.775	0.012	0.137	109.924
2009	38.288	1.501	0.000	39.789	27.214	40.413	7.154	114.570	0.012	0.237	114.819
2010	40.285	1.400	2.585	44.270	28.621	42.640	8.138	123.669	0.013	0.229	123.911
2011	44.529	1.418	2.817	48.764	34.387	45.840	9.172	138.163	0.014	0.231	138.408
2012	48.219	1.588	3.122	52.929	32.810	48.231	9.523	143.493	0.015	0.276	143.784

Note: Information reflects total tax rates levied by each entity. Tax rates are expressed in terms of "net tax capacity." A property's tax capacity is determined by multiplying its taxable market value by a state-determined class rate. Class rates vary by property type and change periodically based on state legislation.

* Includes Metropolitan Council, Metropolitan Transit, Metropolitan Mosquito Control, Hennepin Parks, Park Museum, and the Hennepin County Regional Railroad Authority.

Source: Hennepin County

City of Crystal
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago
 (unaudited)

Taxpayer	Type of Property	2012			2003		
		Tax Capacity *	Rank	Percentage of Total Tax Capacity	Tax Capacity *	Rank	Percentage of Total Tax Capacity
Crystal Shopping Center Assoc.	Shopping Center	\$389,250	1	2.23%	\$239,250	2	1.62%
Lanel Financial Group	Apartments	362,301	2	2.08%	211,213	3	1.43%
Crystal Village Apartments, LLC	Apartments	263,977	3	1.51%	272,764	1	1.85%
Target Corporation	Department Store	188,250	4	1.08%	117,250	8	0.79%
SuperValu, Inc.	Grocery Store	161,250	5	0.92%	149,250	5	1.01%
Smith-Sturm Investment Co.	Apartments	130,888	6	0.75%	118,725	7	0.80%
Winpark One Two LLC	Industrial	126,250	7	0.72%			
Bass Lake Road Retail Assoc., LLP	Apartments	109,770	8	0.63%	110,390	9	0.75%
Crystal Medical Building LLC	Office/clinic	97,130	9	0.56%			
Industrial Equities Group, LLC	Office/Warehouse	93,090	10	0.53%	102,570	10	0.70%
Crystal Gallery Developers	Shopping Center				125,470	6	0.85%
HNN General Partnership	Apartments				166,526	4	1.13%
		<u>\$1,922,156</u>		<u>11.01%</u>	<u>\$1,613,408</u>		<u>10.93%</u>
	Total City of Crystal Tax Capacity	<u>\$17,447,662</u>			<u>\$14,752,823</u>		

* Tax Capacity is computed by applying class rate percentages, specific to each type of property classification, against Taxable Market Value. Class rate percentages vary depending upon the type of property. The formulas and class rates for converting Taxable Market Value into Tax Capacity represent a basic element of the Minnesota property tax system and are subject to annual revisions by the State.

Source: Hennepin County

Table 8

City of Crystal
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total		Outstanding Delinquent Taxes	Delinquent Taxes as a % of Tax Levy
						Collections as a % of Tax Levy	Collections as a % of Tax Levy		
2003	\$5,121,563	\$5,078,457	99.16%	\$38,095	\$5,116,552	99.90%	99.90%	\$90,712	1.77%
2004	5,807,190	5,740,509	98.85%	48,691	5,789,200	99.69%	99.69%	102,254	1.76%
2005	6,549,526	6,428,986	98.16%	95,865	6,524,851	99.62%	99.62%	152,559	2.33%
2006	7,016,240	6,879,114	98.05%	129,779	7,008,893	99.90%	99.90%	183,598	2.62%
2007	7,382,712	7,223,391	97.84%	127,872	7,351,263	99.57%	99.57%	230,230	3.12%
2008	7,612,282	7,448,064	97.84%	103,448	7,551,512	99.20%	99.20%	260,328	3.42%
2009	7,937,517	7,787,343	98.11%	150,174	7,937,517	100.00%	100.00%	242,825	3.06%
2010	8,849,440	8,675,169	98.03%	104,718	8,779,887	99.21%	99.21%	308,020	3.48%
2011	8,900,044	8,780,526	98.66%	119,518	8,900,044	100.00%	100.00%	290,897	3.27%
2012	9,258,402	9,139,252	98.71%	119,150	9,258,402	100.00%	100.00%	276,391	2.99%

Source: City of Crystal Finance Department records

Table 9

City of Crystal
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Taxable market value - amounts expressed in thousands	\$1,183,388	\$1,321,437	\$1,494,881	\$1,685,339	\$1,808,861	\$1,873,116	\$1,794,668	\$1,658,174	\$1,491,193	\$1,292,737
Debt limit (3% of taxable market value)	\$35,502,000	\$39,643,000	\$44,846,000	\$50,560,000	\$54,266,000	\$56,193,000	\$53,840,000	\$49,745,000	\$44,736,000	\$38,782,000
Less debt applicable to debt limit:										
Total bonded debt	10,870,000	9,880,000	11,410,000	11,095,000	9,515,000	9,305,000	12,824,778	12,310,891	12,282,995	13,518,886
Deductions -										
Tax increment bonds	4,810,000	4,030,000	3,205,000	2,330,000	1,485,000	665,000	260,000	0	0	0
Special assessment bonds	5,515,000	5,305,000	5,395,000	6,265,000	5,795,000	6,675,000	9,525,000	8,915,000	9,880,000	11,770,000
	10,325,000	9,335,000	8,600,000	8,595,000	7,280,000	7,340,000	9,785,000	8,915,000	9,880,000	11,770,000
Total debt applicable to debt limit	545,000	545,000	2,810,000	2,500,000	2,235,000	1,965,000	3,039,778	3,395,891	2,402,995	1,748,886
Legal debt margin	\$34,957,000	\$39,098,000	\$42,036,000	\$48,060,000	\$52,031,000	\$54,228,000	\$50,800,222	\$46,349,109	\$42,333,005	\$37,033,114
Total debt applicable to the debt limit as a percentage of the debt limit	1.5%	1.4%	6.3%	4.9%	4.1%	3.5%	5.6%	6.8%	5.4%	4.5%

Source: City of Crystal Finance Department records

City of Crystal
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Governmental Activities			Business Type Activities		Total Primary Government	Percentage Of Taxable Market Value	Percentage Of Personal Income	Per Capita
	G.O. Bonds	G.O. Tax Increment Bonds	G.O. Special Assessment Bonds	G.O. Notes Payable	Business Type				
2003	\$545,000	\$4,810,000	\$5,515,000	\$121,296	\$0	\$10,991,296	0.93%	1.04%	\$478
2004	545,000	4,030,000	5,305,000	64,239	0	9,944,239	0.75%	0.89%	436
2005	2,810,000	3,205,000	5,395,000	7,182	0	11,417,182	0.76%	1.00%	505
2006	2,500,000	2,330,000	6,265,000	0	0	11,095,000	0.66%	0.92%	497
2007	2,235,000	1,485,000	5,795,000	0	0	9,515,000	0.53%	0.77%	430
2008	1,965,000	665,000	6,675,000	0	0	9,305,000	0.50%	0.73%	420
2009	3,039,778	260,000	9,525,000	0	0	12,824,778	0.71%	1.10%	583
2010	3,395,891	0	8,915,000	46,100	0	12,356,991	0.75%	1.02%	558
2011	2,402,995	0	9,880,000	46,100	0	12,329,095	0.83%	0.97%	556
2012	1,748,886	0	11,770,000	35,081	0	13,553,967	1.05%	1.06%	611

Sources: Outstanding Debt - City of Crystal Finance Department Records
 Taxable Market Value - Hennepin County Assessor Department
 Personal income - U.S. Department of Commerce, Bureau of Economic Analysis
 Population - U.S. Census Bureau for census years and estimates by Metropolitan Council for non-census years

Table 11

City of Crystal
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	G.O. Bonds	Less:		Total	Percentage of Taxable Market Value Of Property	Per Capita
		Amounts Available In Debt Service Fund				
2003	\$545,000	\$444,448		\$100,552	0.01%	\$4.40
2004	545,000	178,154		366,846	0.03%	15.94
2005	2,810,000	309,084		2,500,916	0.17%	109.54
2006	2,500,000	290,175		2,209,825	0.13%	97.80
2007	2,235,000	313,513		1,921,487	0.11%	86.14
2008	1,965,000	265,576		1,699,424	0.09%	76.77
2009	3,039,778	272,006		2,767,772	0.15%	124.86
2010	3,395,891	272,312		3,123,579	0.19%	141.89
2011	2,402,995	282,456		2,120,539	0.14%	95.73
2012	1,748,886	291,284		1,457,602	0.11%	65.75

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Sources: Property value data is from Table 5 - Taxable and Estimated Market Values Of Taxable Property
 Population data is from Table 13 - Demographic and Economic Statistics

Table 12

City of Crystal
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As Of December 31, 2012
 (unaudited)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To Government *	Amount Applicable To Government
Direct - City of Crystal	\$13,553,967	100.00%	\$13,553,967
Overlapping - Robbinsdale ISD #281	157,744,112	17.00%	26,816,499
Hennepin County	673,838,501	0.96%	6,468,850
Hennepin Suburban Park District	72,840,200	1.30%	946,923
Hennepin Regional RR Authority	38,770,299	0.96%	372,195
Metropolitan Council / Transit	193,377,711	0.44%	850,862
	<u>1,136,570,823</u>		<u>35,455,329</u>
Total	<u>\$1,150,124,790</u>		<u>\$49,009,296</u>

* Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Crystal. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Crystal. This process recognizes that, when considering the City of Crystal's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

The percentage of overlapping debt is estimated using tax capacity. Applicable percentages were estimated by determining the portion of each overlapping government's tax capacity within the City of Crystal's boundaries and dividing it by that government's total tax capacity.

Source: City of Crystal Finance Department records and Hennepin County

City of Crystal
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Per Capita		Total City		District-Wide		Unemployment Rate
	Population	Personal Income	Personal Income	Income	School Enrollment	Enrollment	
2003	23,012	\$45,954	\$1,057,493,448		13,561		5.9%
2004	22,831	48,781	1,113,719,011		13,150		5.9%
2005	22,595	50,469	1,140,347,055		13,121		5.0%
2006	22,306	53,872	1,201,668,832		12,924		5.1%
2007	22,138	56,006	1,239,860,828		12,590		6.1%
2008	22,167	57,693	1,278,880,731		12,106		6.7%
2009	22,014	52,999	1,166,719,986		11,644		10.4%
2010	22,151	54,949	1,217,175,299		11,662		9.3%
2011	22,168	57,476	1,274,127,968		11,734		8.2%
2012	22,168	57,476	1,274,127,968		11,720		5.9%

Sources:

Population - U.S. Census Bureau for census years and estimates by Metropolitan Council for non-census years. The current year is reported same as the prior year due to data not yet being available at the time this report was prepared.

Per capita personal income - U.S. Department of Commerce, Bureau of Economic Analysis. The per capita personal income used is that for Hennepin County, MN, in which the City resides. It is the smallest region applicable to the City that this information is available for. The current year is reported same as the prior year due to data not yet being available at the time this report was prepared.

Total City personal income - These estimated amounts are derived by multiplying the per capita personal income amount by the City's population for each applicable year.

District-wide school enrollment - Counts are provided by Robbinsdale ISD #281 as of December 31 of each year. ISD #281 serves households in all or parts of Crystal, Brooklyn Center, Brooklyn Park, Golden Valley, New Hope, Plymouth and Robbinsdale.

Unemployment rate - Minnesota Department of Employment and Economic Development. Rates are an adjusted yearly average.

Table 14

City of Crystal
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2012			2003		
	Number Of Employees	Rank	Percentage Of Total City Employment	Number Of Employees	Rank	Percentage Of Total City Employment
Volunteers of America - Crystal Care Center	200	1	5.07%	170	3	3.08%
Cub Foods	200	2	5.07%	190	2	3.45%
Target	185	3	4.69%	220	1	3.99%
City of Crystal	100	4	2.53%	93	5	1.69%
RFG Distributing	98	5	2.48%			
Kilmer Electric Co., Inc.	68	6	1.72%			
Metropolitan Transportation Network Inc.	68	7	1.72%			
Almsted's Crystal Super Value	63	8	1.60%	75	7	1.36%
Buffalo Wild Wings	52	9	1.32%			
McDonald's	45	10	1.14%			
Qwest (now CenturyLink)				115	4	2.09%
Timesavers, Inc.				80	6	1.45%
Thrift-Way Supermarket				65	8	1.18%
Featherlite Exhibits				40	9	0.73%
Wells Fargo				27	10	0.49%
	<u>1,079</u>		<u>27.34%</u>	<u>1,075</u>		<u>19.51%</u>
Estimated Total Employment			<u>3,946</u>			<u>5,515</u>

Sources: Principal employers are a result of telephone surveys of employers by Springsted, Inc., in conjunction with city bond sales.

Estimated Total Employment is per the Minnesota Department of Employment and Economic Development web site.

City of Crystal
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years
 (unaudited)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	10	11	11	12	12	12	12	11	11	11
Public Safety -										
Police -										
Officers	27	25	27	27	27	29	29	28	30	30
Civilians	9	6	6	6	7	8	7	6	8	6
Public Works -										
Engineering	3	3	3	3	3	3	3	3	3	3
Maintenance	9	9	9	9	9	9	9	8	7	8
Parks and Recreation -										
Park maintenance	6	5	5	6	6	6	6	6	6	6
Recreation	6	5	4	5	5	5	5	5	5	5
Community Development	7	7	7	7	7	7	7	7	7	6
Utilities -										
Water / Sanitary Sewer / Storm Drainage	7	8	8	8	8	8	8	9	9	8
	<u>84</u>	<u>79</u>	<u>80</u>	<u>83</u>	<u>84</u>	<u>87</u>	<u>86</u>	<u>83</u>	<u>86</u>	<u>83</u>

Source: City of Crystal Finance Department records

City of Crystal
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(unaudited)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government - Administration -										
Employee recruitments	*	*	*	*	15	13	15	11	16	19
Licenses issued	896	968	1,006	945	952	1,018	1,110	1,238	1,249	1,300
Public Safety -										
Police -										
Calls for service	26,517	25,716	25,833	29,047	24,427	29,395	30,007	30,681	32,464	31,878
Citations issued	*	*	*	*	2,843	4,651	5,548	5,369	6,199	6,133
Criminal cases investigated	*	*	*	1,220	1,090	1,848	1,490	1,426	1,261	1,771
Total arrests	1,090	1,026	1,066	1,014	1,050	1,158	1,265	1,081	1,184	1,226
Animal control incidents	761	780	694	921	932	783	709	334	501	471
Dog licenses issued	*	*	*	*	476	455	350	344	315	287
Fire (West Metro Fire-Rescue District)										
Calls for service	*	*	*	*	1,052	977	1,346	1,451	1,641	1,349
Inspections/re-inspections, plan reviews and consultations	*	*	*	*	821	792	768	796	899	734
Public Works -										
Miles of streets sealcoated	0	12	0	0	4	0	4	5	12	6
Miles of streets reconstructed -	0	6	4	5	0	5	7	0	4	6
Phase of 16-phase street project >		Phase 6	Phase 7	Phase 8		Phase 9	Phase 10		Phase 11	Phase 12
Parks and Recreation -										
Recreation program participants	*	*	*	*	8,195	8,377	8,375	8,459	9,301	9,132
No. of teams in team sports	*	*	*	*	121	129	155	172	195	221
No. of participants in special events	*	*	*	*	3,000	2,548	3,822	4,040	4,647	4,142
Park facility permits	*	*	*	*	262	166	162	228	208	185
Community Center permits	*	*	*	*	746	768	672	659	600	657
Pool attendance	*	*	*	*	43,345	43,658	33,413	35,681	33,220	31,127
Community Development -										
Permit inspections	*	*	*	*	2,542	3,230	3,065	2,664	2,331	2,350
Code enforcement incidents	*	*	*	*	1,287	1,604	1,434	1,434	1,378	1,319
Rental housing - no. of licensed units	*	*	*	*	1,901	2,394	2,343	2,431	2,457	2,575
Point of sale inspections/re-inspections	*	*	*	*	665	664	726	416	424	385
Planning Commission applications	*	*	*	*	15	18	19	8	18	8
Utilities -										
Water system -										
Average residential consumption (million gallons / day)	1.80 Mg/d	1.57 Mg/d	1.50 Mg/d	1.52 Mg/d	1.58 Mg/d	1.26 Mg/d	1.53 Mg/d	1.45 Mg/d	1.33 Mg/d	1.46 Mg/d

* Data is not readily available for prior years. It will be presented on a prospective basis.

Source: Various city departments

City of Crystal
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years
 (unaudited)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety - Police -										
Number of stations	1	1	1	1	1	1	1	1	1	1
Public Works -										
Street maintenance -										
Miles of city street	92	92	92	92	92	92	92	92	92	91
Parks and Recreation -										
Recreation -										
Number of park acres	243	243	243	243	243	243	243	243	244	253
Number of parks	28	28	28	28	28	28	28	28	28	28
Number of parks with playground apparatus	19	19	19	19	19	19	19	19	19	19
Number of tennis courts	13	13	13	13	13	13	13	13	13	13
Number of ice skating rinks	7	7	7	7	7	7	7	7	7	7
Number of softball / baseball fields	25	25	25	25	25	25	25	25	25	25
Number of soccer fields	1	1	1	1	1	1	1	1	2	2
Number of skateboard parks	0	0	0	1	1	1	1	1	1	1
Community Center -										
Number of centers	1	1	1	1	1	1	1	1	1	1
Waterslide / swimming pool -										
Number of facilities	1	1	1	1	1	1	1	1	1	1
Utilities -										
Water system -										
Miles of water main (owned by city)	90	90	90	90	90	90	90	90	90	90
Number of service connections	7,791	7,796	7,872	7,898	7,861	7,868	7,864	7,885	7,888	7,803
Number of fire hydrants	808	808	808	808	808	808	808	809	819	820
Sewer system -										
Miles of sanitary sewer	87	87	87	87	87	87	87	87	87	87
Number of service connections	7,828	7,820	7,820	7,820	7,892	7,913	7,912	7,910	7,911	7,821
Number of lift stations	7	7	7	7	7	7	7	7	7	7
Storm drainage system -										
Miles of storm sewer	50	50	54	56	57	57	59	60	60	60
Number of lift stations	1	1	1	1	1	1	1	1	1	1

Note: No capital asset indicators are available for the general government and community development functions.

Source: Various city departments