

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Crystal, Minnesota

For the
Year Ended
December 31, 2011

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For the
Year Ended
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Prepared by
City of Crystal Finance Department

Charles Hansen, Finance Director
Beth Simonsen, Assistant Finance Director

City of Crystal
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**INTRODUCTORY
SECTION
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May 25, 2012

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, 2011, 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, 2011, 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, 2011, 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 serve 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, 7.6% from 2009 to 2010 and 10.1% from 2010 to 2011. 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 five blighted or functionally obsolete houses during 2011. Five lots acquired in earlier years were sold to builders for construction of new homes during 2011. The City holds twenty-eight 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 to 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 11 was built in 2011 and Phase 12 is planned for 2012.

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% of the General Fund's revenue in 2011. 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.

Budget problems at the State of Minnesota have resulted in the State withholding part of the promised LGA each year from 2008 through 2011. A permanent reduction in LGA was made in 2011. LGA represented about 12% of 2011 General Fund revenues. The 2012 Crystal budget is based on the amount of LGA after the permanent reduction.

Many operating efficiencies and cooperative ventures with neighboring cities have been implemented over the last ten years and others continue to be investigated.

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 may still be spent on eligible projects. Major expenditures were made in 2011 and will continue in 2012.

In 2011, the City saw its first major commercial development since the beginning of the recession. A \$12,000,000 medical clinic was constructed and opened for business in early 2012. 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, 2010.

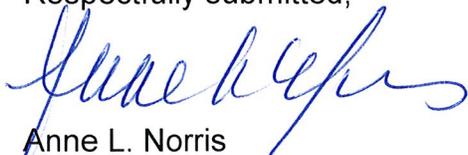
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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, 2011

<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

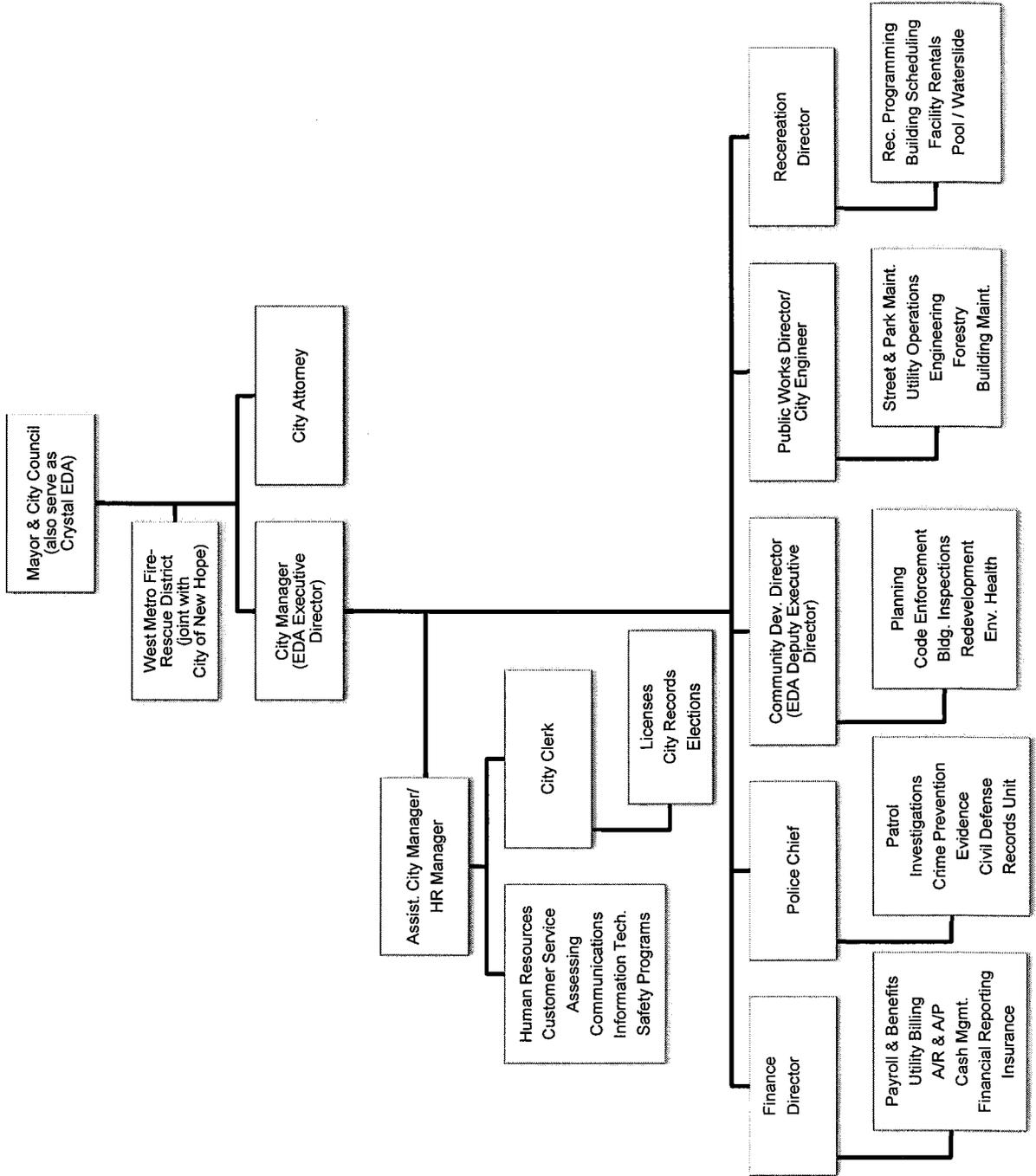
City Treasurer - Charles Hansen

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emery

Executive Director

**FINANCIAL
SECTION
TAB**



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crystal, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We 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. 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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, 2011, 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 conformity with U.S. generally accepted accounting principles.

Expert advice. When you need it.SM

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The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.

U.S. generally accepted accounting principles 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 the 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 U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections 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.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
May 15, 2012

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

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, 2011. 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 \$106,858,417. Of this amount, \$54,578,925 is considered unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$4,376,696.

At the end of the fiscal year, total fund balance for the General Fund was \$7,514,970, or 60.84% of total General Fund expenditures and transfers out.

The City's total long-term debt (excluding net OPEB obligation) decreased by \$44,581 during the fiscal year. The City's net OPEB obligation increased by \$40,990.

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

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

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

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 eleven 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 five 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, 2011

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 –

Combining and individual fund statements and schedules for nonmajor funds are presented immediately following the notes to the financial statements.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011

Government-wide Financial Analysis

Net Assets -

The City has 36.18% of its total net assets invested in capital assets (including land, buildings and structures, improvements other than buildings, machinery and equipment, office equipment and furniture, software, vehicles, 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 12.74% of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of 51.08% represents unrestricted net assets 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 assets, 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 assets follows:

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 58,865,089	\$ 55,466,015	\$ 10,953,546	\$ 11,559,034	\$ 69,818,635	\$ 67,025,049
Equity interest in joint venture	2,134,838	1,502,603	562,881	369,248	2,697,719	1,871,851
Capital assets	37,299,708	37,099,287	12,763,559	11,450,442	50,063,267	48,549,729
Total Assets	<u>98,299,635</u>	<u>94,067,905</u>	<u>24,279,986</u>	<u>23,378,724</u>	<u>122,579,621</u>	<u>117,446,629</u>
Long-term liabilities						
outstanding	11,683,095	11,729,828	90,933	86,316	11,774,028	11,816,144
Other liabilities	3,841,482	2,869,986	105,694	278,778	3,947,176	3,148,764
Total Liabilities	<u>15,524,577</u>	<u>14,599,814</u>	<u>196,627</u>	<u>365,094</u>	<u>15,721,204</u>	<u>14,964,908</u>
Net Assets:						
Invested in capital						
assets, net of						
related debt	25,896,999	26,510,303	12,763,559	11,450,442	38,660,558	37,960,745
Restricted	13,618,934	13,110,714	0	0	13,618,934	13,110,714
Unrestricted	43,259,125	39,847,074	11,319,800	11,563,188	54,578,925	51,410,262
Total Net Assets	<u>\$ 82,775,058</u>	<u>\$ 79,468,091</u>	<u>\$ 24,083,359</u>	<u>\$ 23,013,630</u>	<u>\$ 106,858,417</u>	<u>\$ 102,481,721</u>

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

A summary of the City's changes in net assets and revenues and expenses for 2011 and 2010 follows:

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues -						
Charges for services	\$ 1,741,797	\$ 1,820,506	\$ 5,612,874	\$ 5,599,639	\$ 7,354,671	\$ 7,420,145
Operating grants and contributions	1,140,876	822,081	375,631	171,337	1,516,507	993,418
Capital grants and contributions	5,750,178	2,977,318	938,060	71,385	6,688,238	3,048,703
General revenues -						
Property taxes	9,318,013	9,231,751	0	0	9,318,013	9,231,751
Grants and contributions not restricted to specific programs	1,618,291	1,616,214	0	0	1,618,291	1,616,214
Other	1,074,614	1,079,188	262,213	236,609	1,336,827	1,315,797
Total Revenues	<u>20,643,769</u>	<u>17,547,058</u>	<u>7,188,778</u>	<u>6,078,970</u>	<u>27,832,547</u>	<u>23,626,028</u>
Expenses:						
General government	2,084,038	2,115,117	0	0	2,084,038	2,115,117
Public safety	6,247,082	5,979,472	0	0	6,247,082	5,979,472
Public works	3,997,978	6,075,243	0	0	3,997,978	6,075,243
Parks and recreation	2,475,881	2,494,542	0	0	2,475,881	2,494,542
Community development	2,168,725	1,656,365	0	0	2,168,725	1,656,365
Interest on long-term debt	503,301	531,689	0	0	503,301	531,689
Water	0	0	2,930,591	2,482,146	2,930,591	2,482,146
Sanitary sewer	0	0	1,928,975	1,934,868	1,928,975	1,934,868
Storm drainage	0	0	600,371	501,194	600,371	501,194
Street lights	0	0	186,991	148,627	186,991	148,627
Recycling	0	0	331,918	322,072	331,918	322,072
Total Expenses	<u>17,477,005</u>	<u>18,852,428</u>	<u>5,978,846</u>	<u>5,388,907</u>	<u>23,455,851</u>	<u>24,241,335</u>
Change in Net Assets Before Transfers	3,166,764	(1,305,370)	1,209,932	690,063	4,376,696	(615,307)
Transfers	<u>140,203</u>	<u>70,883</u>	<u>(140,203)</u>	<u>(70,883)</u>	<u>0</u>	<u>0</u>
Change in Net Assets	3,306,967	(1,234,487)	1,069,729	619,180	4,376,696	(615,307)
Net Assets - Beginning of Year	<u>79,468,091</u>	<u>80,702,578</u>	<u>23,013,630</u>	<u>22,394,450</u>	<u>102,481,721</u>	<u>103,097,028</u>
Net Assets - End of Year	<u>\$ 82,775,058</u>	<u>\$ 79,468,091</u>	<u>\$ 24,083,359</u>	<u>\$ 23,013,630</u>	<u>\$ 106,858,417</u>	<u>\$ 102,481,721</u>

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

Governmental Activities –

Governmental activities increased the City's governmental-type net assets by \$3,306,967, or 4.16%, accounting for 75.56% of the total growth in the City's net assets. Key elements of this net increase include:

- The Street Reconstruction Fund recorded an increase of \$1,924,522 in its fund balance during the current fiscal year. This was primarily due to the State of Minnesota providing an advance of \$1,275,000 on future allotments of state aid for streets.
- The City's equity interest in the West Metro Fire-Rescue District increased by \$632,235. The District took delivery of new fire engines in 2011.

Business-type Activities –

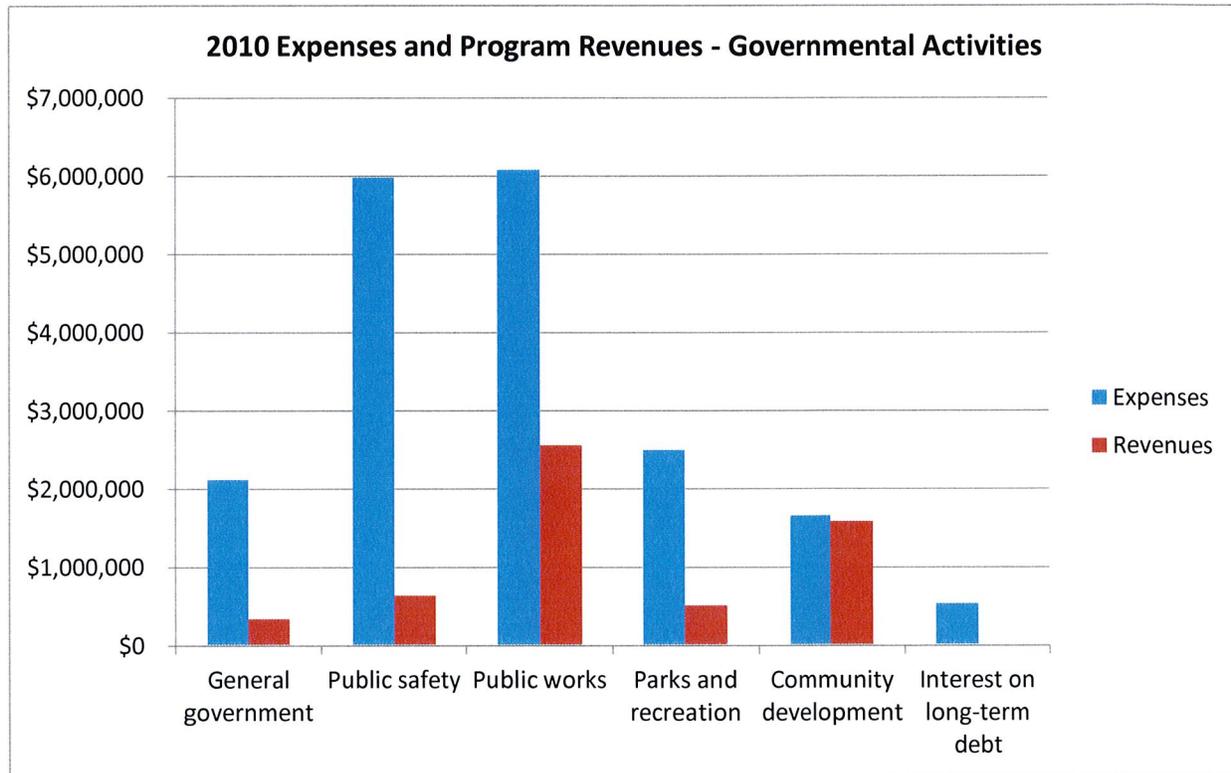
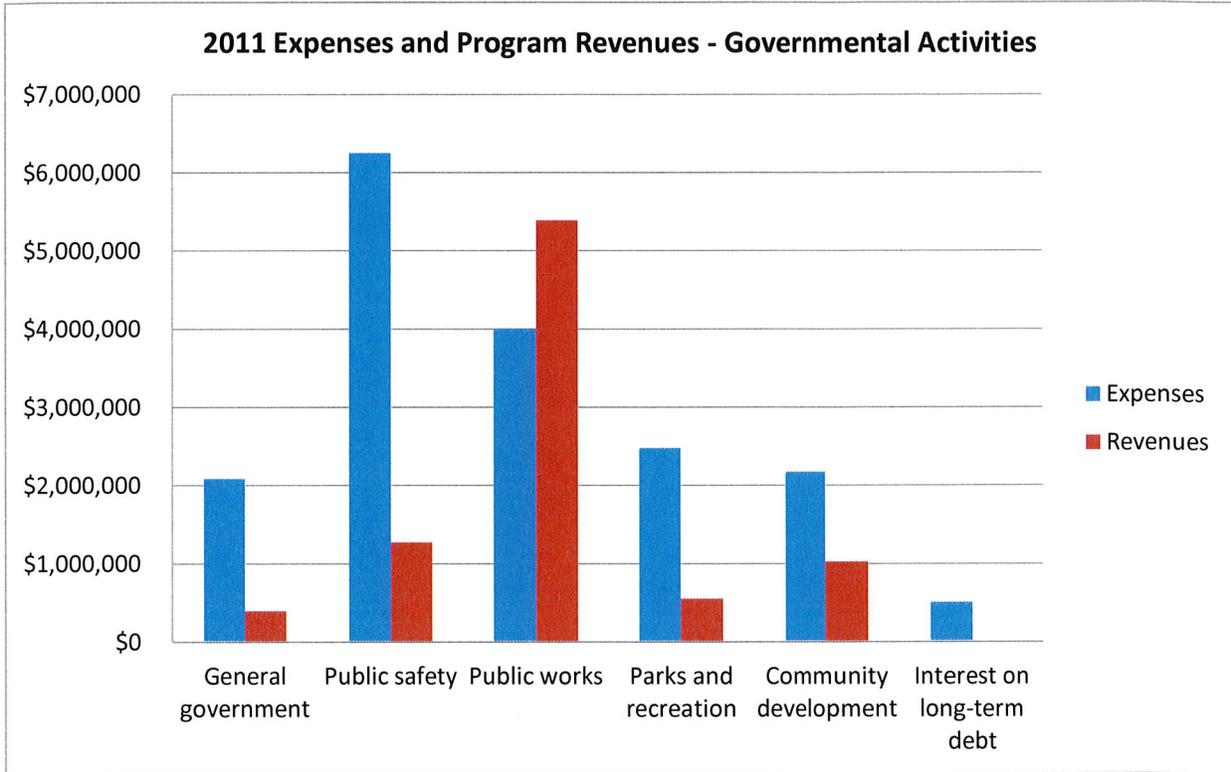
Business-type activities increased the City's business-type net assets by \$1,069,729, or 4.65%, accounting for 24.44% of the total growth in the City's net assets.

Capital assets (net of accumulated depreciation) increased by \$1,313,117. 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 the Twin Oak Park storm water pond and the 639W wetland improvement projects were added to capital assets.

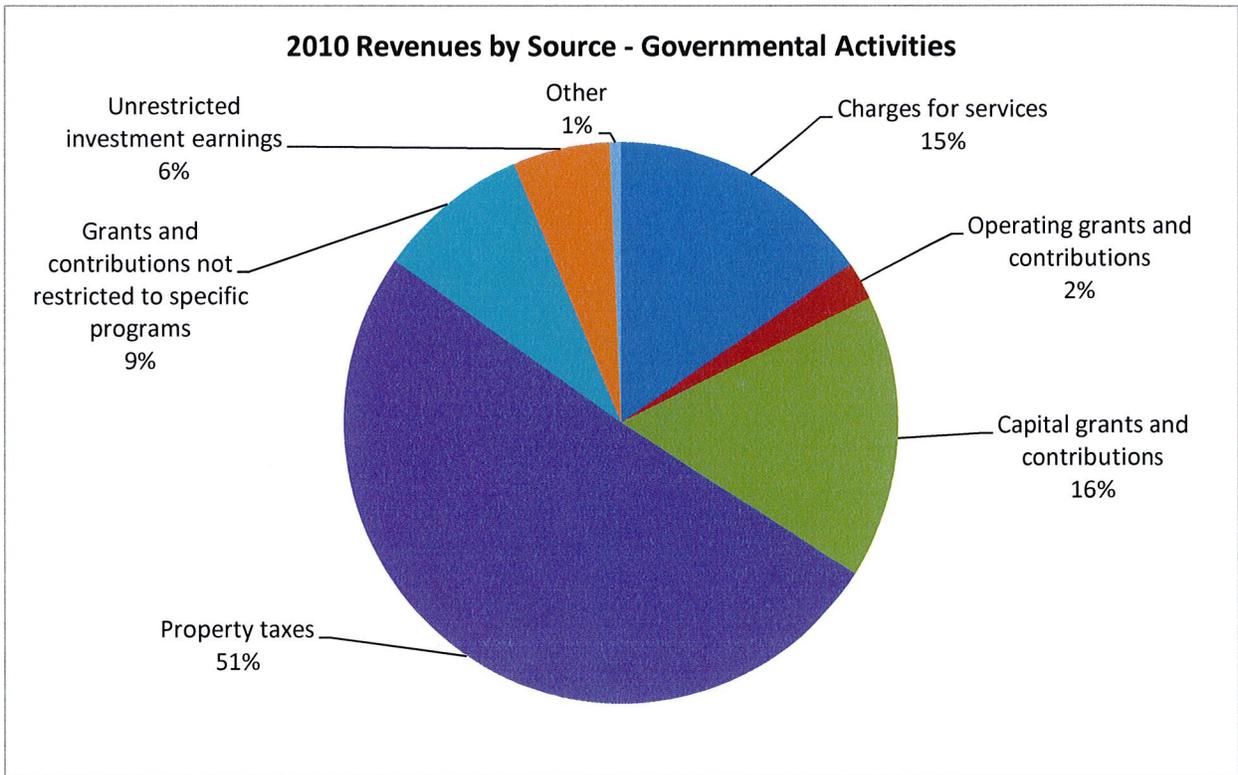
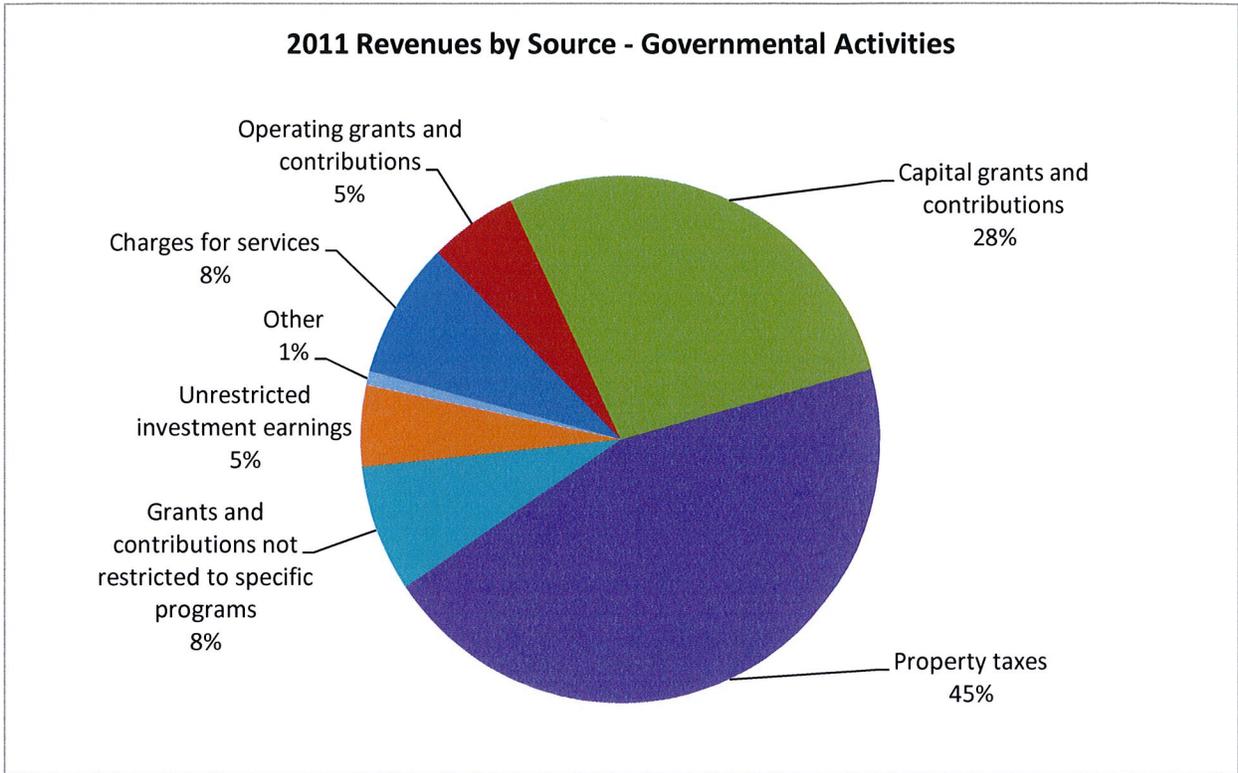
The City Council approved a rate increase of 2.40 % for the sanitary sewer utility, which increased rates charged from \$45.10 per quarter for residential properties in 2010 to \$46.20 per quarter in 2011.

The City Council approved a rate increase of 2.90% for the recycling utility, which increased rates charged from \$10.35 per quarter for residential properties in 2010 to \$10.65 per quarter in 2011.

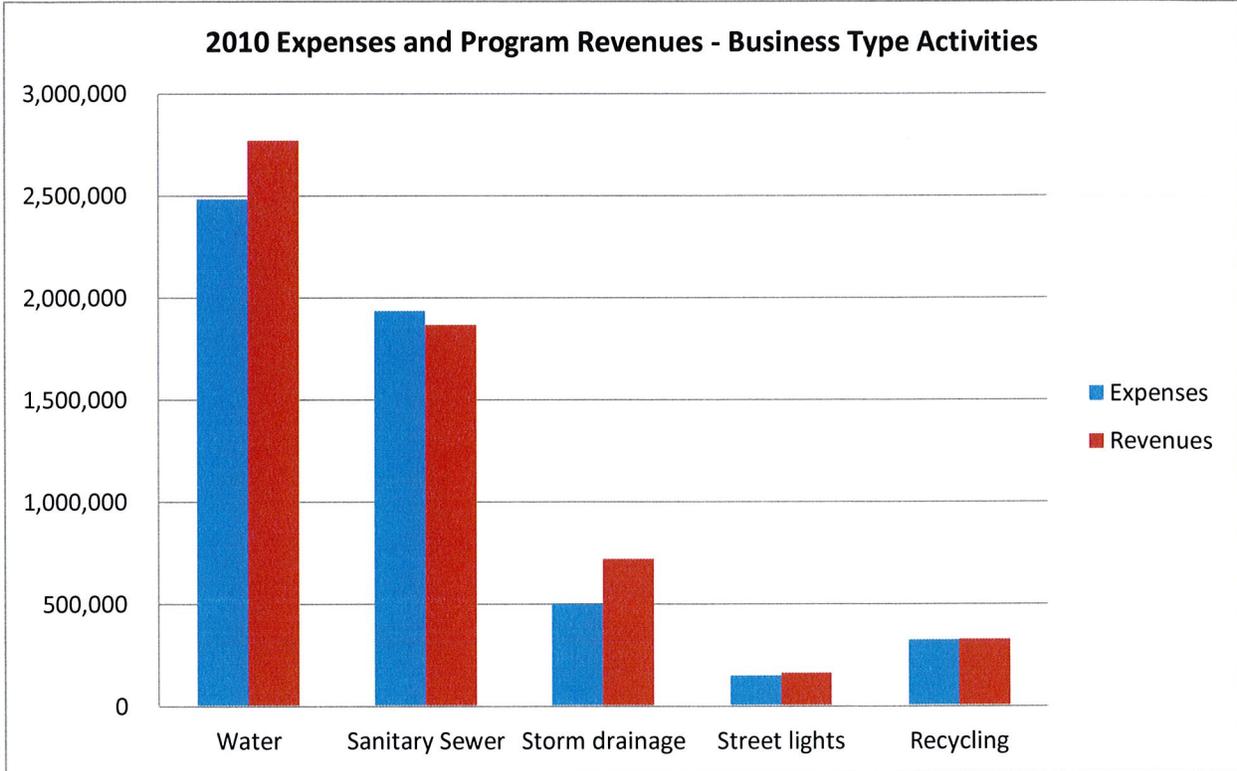
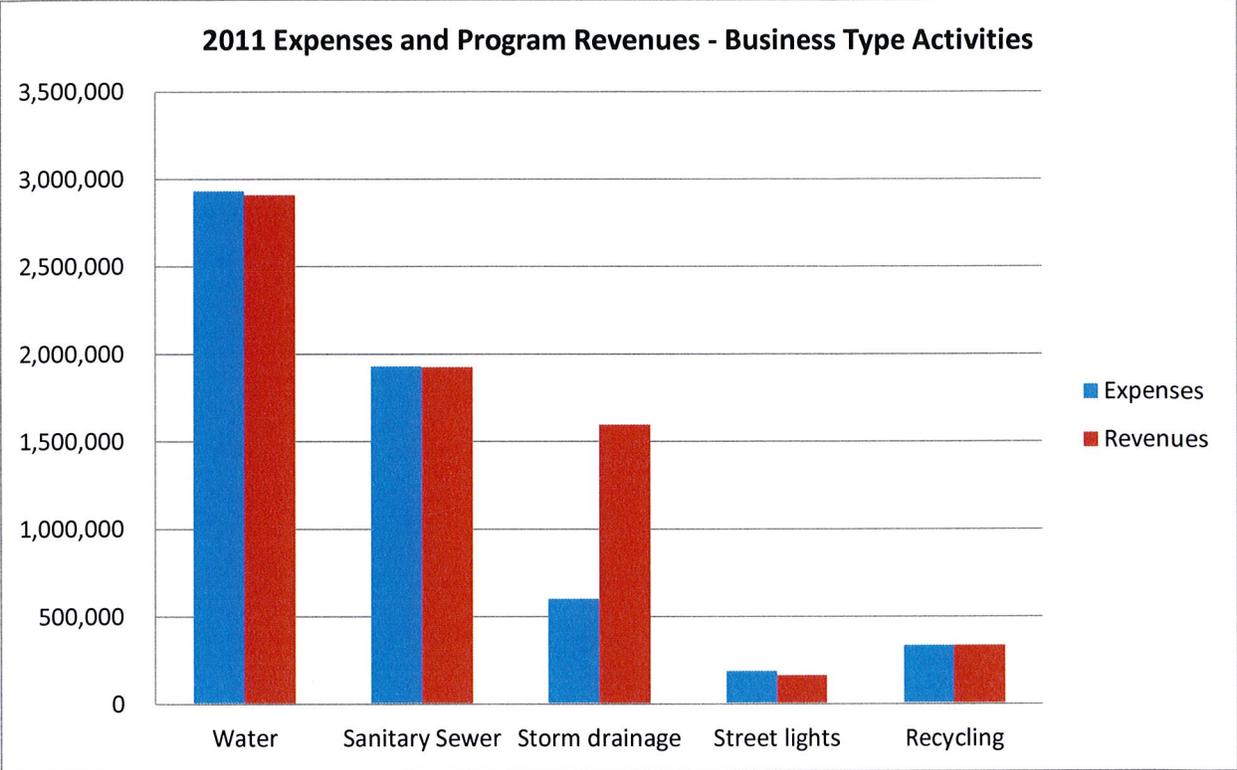
City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011



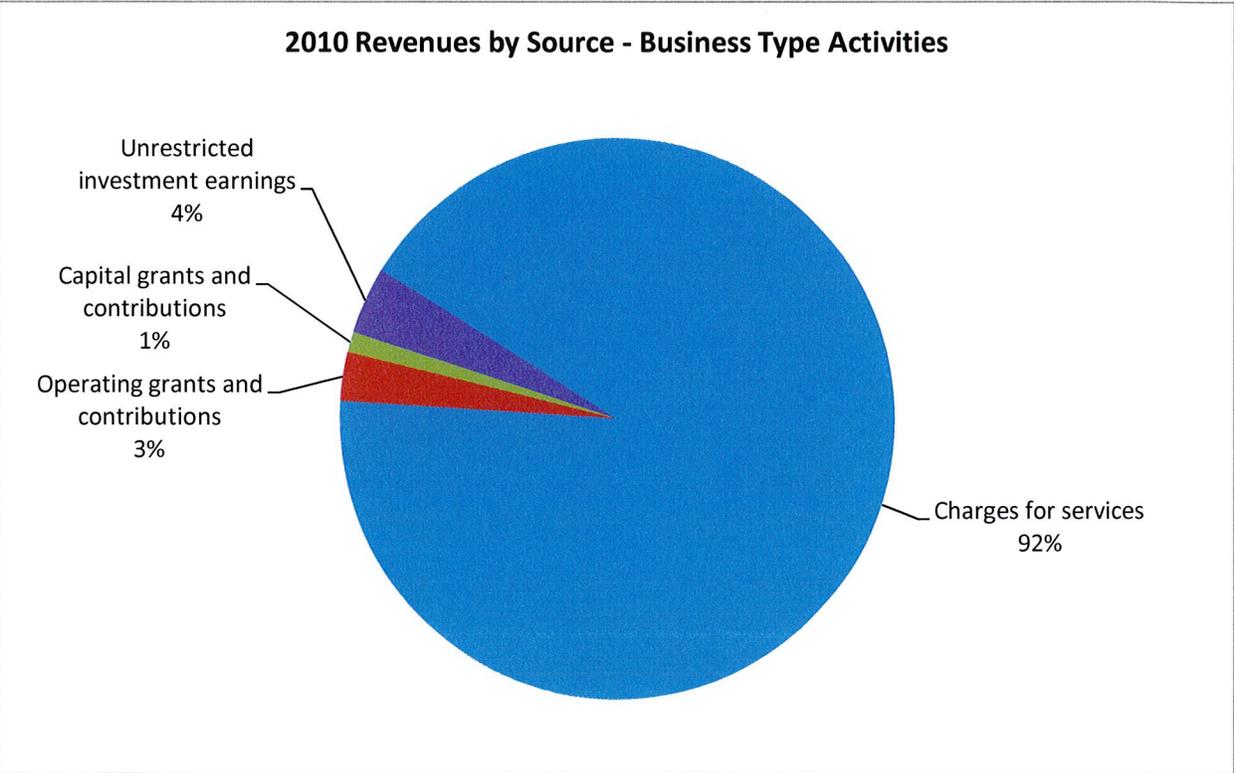
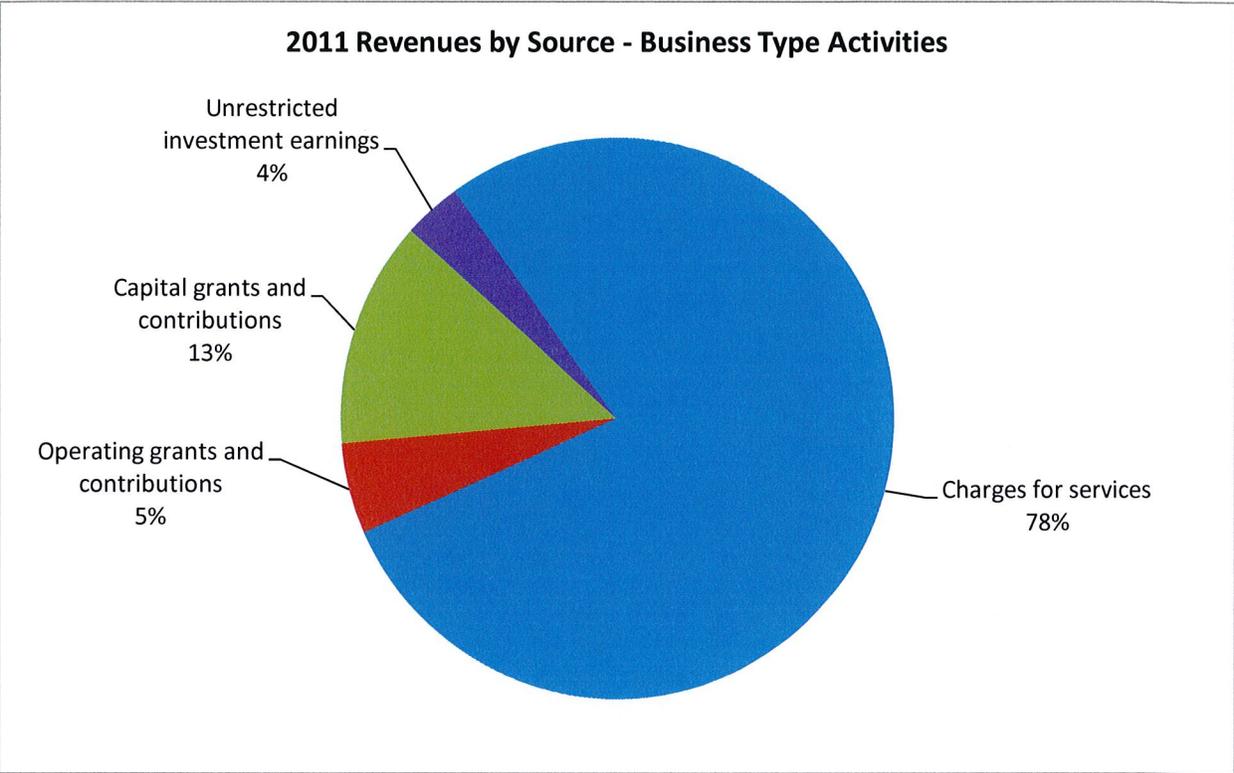
City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011



City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011



City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011



City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

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 \$45,486,267, an increase of \$1,776,148 in comparison with the prior year.

Approximately 14.61% of this total amount (\$6,645,169) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance has been classified as restricted (\$6,373,870), committed (\$32,414,540), and assigned (\$52,688).

The General Fund is the main operating fund of the City. At the end of the fiscal year, total fund balance was \$7,514,970. Unassigned fund balance was \$6,645,169 and \$869,801 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 60.84% 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 \$98,613 in the fund balance of the General Fund during the current fiscal year. Total revenues were \$319,666 higher than the final budget. Revenues for property taxes, special assessments, housing inspections, charges for services and investment earnings were higher than budget. Actual expenditures were \$301,721 less than 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 \$621,387, but the final 2011 General Fund budget was amended to provide for additional transfers of \$720,000 to capital projects funds.

The EDA Fund recorded a decrease of \$166,009 in its fund balance during the current fiscal year. This decrease is due to financial assistance provided to the Crystal Medical Center, a new \$11 million commercial building developed during 2011. At the end of the fiscal year, fund balance of \$29,775 was restricted for a MURL (MN Urban and Rural Homesteading) program revolving loan. The remainder of the fund balance of \$3,541,003 was committed for economic development projects.

The Debt Service Fund has a total fund balance of \$3,831,273, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current fiscal year was \$77,222. For additional transaction details, refer to the Long-term Debt section located later in this Management's Discussion and Analysis, or to Notes 7 – 9 in the notes to the financial statements.

There was an increase of \$228,148 in the fund balance of the Capital Improvement Revolving Fund during the current year. Revenues and capital expenditures of this fund were typical of its normal operations. All of the fund balance of \$8,607,284 is committed.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

The Street Reconstruction Fund recorded an increase of \$1,924,522 in its fund balance during the current fiscal year. This was primarily due to the State of Minnesota providing an advance of \$1,275,000 on future allotments of state aid for streets. Major construction work on Phase 11 of the 16-phase street reconstruction program and engineering design of Phase 12 were done during 2011. All of the fund balance of \$4,028,317 is committed.

The Major Building Replacement Fund has a total fund balance of \$9,645,755, all of which is committed. The only activity during the year was receipt of interest income, which increased fund balance by \$235,720.

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 assets of the City's enterprise funds totaled \$11,319,800 at the end of the fiscal year. The water, sanitary sewer, storm drainage and recycling funds reported increases in net assets of \$57,895, \$116,588, \$898,625 and \$4,067, respectively. The Street Lights Fund reported a decrease in net assets of \$7,446. Two utilities experienced modest revenue increases as a result of rate increases. Two utilities experienced modest revenue increases as a result of higher customer demand. The water utility experienced a modest revenue decrease due to implementation of conservation rates. Four 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:

- \$620,000 increase in the transfer to the Fire Equipment Revolving Fund.
- \$100,000 increase in the transfer to the Street Maintenance Fund.
- \$25,700 of increases in the Legal, Building Inspection, Health and Community Center departments to cover operating costs. These were offset by reductions of \$20,200 in the Contingency Reserve in the Mayor & Council Department, \$3,000 in the Administration Department and \$2,500 in the Recreation Department.

City of Crystal
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

Capital Assets

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2011, amounts to \$50,063,267. This balance represents a net increase of \$1,513,538 from the prior year. Additional details of capital asset activity for the year can be found in Note 6 in the notes to the financial statements. Major capital activity during the year included the following:

- Major work on Phase 11 of the ongoing street reconstruction project was undertaken during 2011.
- The Storm Drainage Fund completed work on the Twin Oak Park storm water pond and the 639W wetland improvement project.
- Construction in progress as of the close of the fiscal year increased to \$3,892,459, compared to \$1,878,513 the prior year.

Long-term Debt

The City's total long-term debt decreased by \$44,581, or 0.34%, during the fiscal year. Normal required annual payments were made on bonds payable, notes payable, and compensated absences. During 2011, the City issued G.O. Street Improvement Bonds, Series 2011A, to finance special assessments relating to the Phase 11 street reconstruction.

Additional details of long-term debt activity for the year can be found in Notes 7 – 9 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 2011 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 \$44,736,000, which is significantly higher than the City's outstanding G.O. debt of \$2,402,995.

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 2012 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. Levy limit laws enacted by the State required cities to adopt a property tax levy based on the promised amount of LGA, even though the State has failed to deliver that level of aid. 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, 2011

- The City will provide 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 2012 budget includes a 2.07% 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. In 2011, water rates were changed from flat rates to conservation rates, which charge an increasing rate as the volume of water used increases. The impact of the change will be monitored in 2012. Rates were increased by 3.03% for the Storm Drainage Fund.

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. Setting up separate fire departments in each city would result in significant additional costs to the cities. It now appears probable that 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

**Government-Wide
Financial Statements
Tab**

City of Crystal
STATEMENT OF NET ASSETS
December 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$4,362,790	\$864,518	\$5,227,308
Temporarily restricted cash and cash equivalents	58,673	0	58,673
Investments	41,707,602	8,158,268	49,865,870
Accrued interest	252,482	58,959	311,441
Accounts receivable	213,405	1,094,798	1,308,203
Delinquent taxes receivable	313,734	0	313,734
Special assessments receivable	9,767,745	423,173	10,190,918
Due from other governments	224,868	286,119	510,987
Inventory	0	32,861	32,861
Other assets	0	34,850	34,850
Land held for resale	1,578,000	0	1,578,000
Notes receivable	128,530	0	128,530
Contract for deed receivable	129,467	0	129,467
Deferred charges for bond issuance costs	127,793	0	127,793
Equity interest in joint venture	2,134,838	562,881	2,697,719
Capital assets (net of accumulated depreciation, where applicable) -			
Land	3,401,462	759,062	4,160,524
Buildings and structures	4,605,874	74,990	4,680,864
Improvements other than buildings	2,822,757	182,694	3,005,451
Machinery and equipment	1,193,920	2,118,821	3,312,741
Office equipment and furniture	232,787	17,572	250,359
Software	54,039	0	54,039
Vehicles	858,729	107,492	966,221
Infrastructure	21,591,254	8,149,355	29,740,609
Construction in progress	2,538,886	1,353,573	3,892,459
Total Assets	98,299,635	24,279,986	122,579,621
LIABILITIES			
Accounts payable and other current liabilities	1,939,443	85,410	2,024,853
Interest payable	166,777	0	166,777
Unearned revenue	77,755	0	77,755
Noncurrent liabilities -			
Due within one year	1,657,507	20,284	1,677,791
Due in more than one year	11,457,487	70,695	11,528,182
Net OPEB obligation	225,608	20,238	245,846
Total Liabilities	15,524,577	196,627	15,721,204
NET ASSETS			
Invested in capital assets, net of related debt	25,896,999	12,763,559	38,660,558
Restricted for:			
TIF projects	2,491,148	0	2,491,148
MURL revolving fund	29,775	0	29,775
Debt service	11,053,500	0	11,053,500
Special projects	44,511	0	44,511
Unrestricted	43,259,125	11,319,800	54,578,925
Total Net Assets	\$82,775,058	\$24,083,359	\$106,858,417

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

City of Crystal
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities -							
General government	\$2,084,038	\$278,336	\$88,447	\$30,436	(\$1,686,819)	\$0	(\$1,686,819)
Public safety	6,247,082	357,536	912,729	1,921	(4,974,896)	0	(4,974,896)
Public works	3,997,978	0	2,169	5,385,851	1,390,042	0	1,390,042
Parks and recreation	2,475,881	437,259	14,830	98,134	(1,925,658)	0	(1,925,658)
Community development	2,168,725	668,666	122,701	233,836	(1,143,522)	0	(1,143,522)
Interest on long-term debt	503,301	0	0	0	(503,301)	0	(503,301)
Total Governmental Activities	17,477,005	1,741,797	1,140,876	5,750,178	(8,844,154)	0	(8,844,154)
Business-type Activities -							
Water	2,930,591	2,549,324	360,031	0	0	(21,236)	(21,236)
Sanitary sewer	1,928,975	1,913,165	11,558	0	0	(4,252)	(4,252)
Storm drainage	600,371	653,009	3,752	938,060	0	994,450	994,450
Street lights	186,991	162,722	290	0	0	(23,979)	(23,979)
Recycling	331,918	334,654	0	0	0	2,736	2,736
Total Business-type Activities	5,978,846	5,612,874	375,631	938,060	0	947,719	947,719
Total Government	\$23,455,851	\$7,354,671	\$1,516,507	\$6,688,238	(8,844,154)	947,719	(7,896,435)
General revenues -							
Property taxes					9,318,013	0	9,318,013
Grants and contributions not restricted to specific programs					1,618,291	0	1,618,291
Unrestricted investment earnings					1,036,201	240,213	1,276,414
Gain on disposition of capital assets					38,413	22,000	60,413
Transfers					140,203	(140,203)	0
Total General Revenues and Transfers					12,151,121	122,010	12,273,131
Change In Net Assets					3,306,967	1,069,729	4,376,696
Net Assets - Beginning of Year					79,468,091	23,013,630	102,481,721
Net Assets - End of Year					\$82,775,058	\$24,083,359	\$106,858,417

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

**Fund Financial
Statements
Tab**

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City of Crystal
BALANCE SHEET
Governmental Funds
December 31, 2011

	General	EDA - Special Revenue	Debt Service	Capital Improvement Revolving - Capital Projects	Street Reconstruction - Capital Projects
ASSETS					
Cash and cash equivalents	\$683,442	\$267,778	\$435,459	\$816,922	\$413,195
Temporarily restricted cash and cash equivalents	58,673	0	0	0	0
Investments	6,989,826	2,526,965	4,109,323	7,709,116	3,899,228
Accrued interest	37,793	15,718	20,727	50,081	20,787
Accounts receivable	199,360	12,224	0	1,821	0
Delinquent taxes receivable	264,215	8,902	17,780	0	0
Special assessments receivable	299,123	0	7,371,224	538,338	1,354,643
Due from other governments	125,331	13,297	10,447	59,738	2,389
Land held for resale	0	755,000	0	0	0
Notes receivable	0	128,530	0	0	0
Contract for deed receivable	0	129,467	0	0	0
TOTAL ASSETS	<u>\$8,657,763</u>	<u>\$3,857,881</u>	<u>\$11,964,960</u>	<u>\$9,176,016</u>	<u>\$5,690,242</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$119,577	\$11,015	\$0	\$30,394	\$65,551
Due to other governments	63,204	43	744,683	0	0
Accrued salaries and wages	260,246	8,106	0	0	0
Deposits payable	58,673	1,040	0	0	0
Contracts payable	0	0	0	0	85,900
Retainage payable	0	0	0	0	155,831
Deferred revenue	641,093	266,899	7,389,004	538,338	1,354,643
Total Liabilities	1,142,793	287,103	8,133,687	568,732	1,661,925
Fund Balances:					
Restricted	0	29,775	3,831,273	0	0
Committed	869,801	3,541,003	0	8,607,284	4,028,317
Assigned	0	0	0	0	0
Unassigned	6,645,169	0	0	0	0
Total Fund Balances	<u>7,514,970</u>	<u>3,570,778</u>	<u>3,831,273</u>	<u>8,607,284</u>	<u>4,028,317</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$8,657,763</u>	<u>\$3,857,881</u>	<u>\$11,964,960</u>	<u>\$9,176,016</u>	<u>\$5,690,242</u>

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

Major Building Replacement - Capital Projects	Other Governmental Funds	Total Governmental Funds
\$918,665	\$713,586	\$4,249,047
0	0	58,673
8,669,234	6,730,531	40,634,223
57,856	42,718	245,680
0	0	213,405
0	22,837	313,734
0	204,417	9,767,745
0	13,666	224,868
0	823,000	1,578,000
0	0	128,530
0	0	129,467
<u>\$9,645,755</u>	<u>\$8,550,755</u>	<u>\$57,543,372</u>

\$0	\$35,515	\$262,052
0	96	808,026
0	0	268,352
0	0	59,713
0	0	85,900
0	0	155,831
0	227,254	10,417,231
0	262,865	12,057,105
0	2,512,822	6,373,870
9,645,755	5,722,380	32,414,540
0	52,688	52,688
0	0	6,645,169
<u>9,645,755</u>	<u>8,287,890</u>	<u>45,486,267</u>
<u>\$9,645,755</u>	<u>\$8,550,755</u>	<u>\$57,543,372</u>

City of Crystal
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$45,486,267

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

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

Cost of capital assets	\$71,985,331	
Less: accumulated depreciation	(34,685,623)	
		37,299,708

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

Deferred revenue relating to:		
Delinquent taxes	313,734	
Special assessments	9,767,745	
Notes receivable	128,530	
Contract for deed receivable	129,467	
		10,339,476

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

Deferred charges for bond issuance costs	127,793	
Discount on debt	83,902	
Accrued interest payable	(166,777)	
Bonds payable	(12,282,995)	
Note payable	(46,100)	
Compensated absences	(869,801)	
Net OPEB obligation	(225,608)	
		(13,379,586)

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 Assets.

894,355

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		2,134,838
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$82,775,058

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, 2011

	General	EDA - Special Revenue	Debt Service	Capital Improvement - Revolving - Capital Projects	Street Reconstruction - Capital Projects
REVENUES					
Property taxes	\$7,945,447	\$288,880	\$708,309	\$0	\$0
Special assessments	223,163	0	1,252,846	163,534	1,043,503
Licenses, permits and inspections	674,693	0	0	0	0
Intergovernmental	1,885,103	82,792	7,586	96,220	1,830,209
Charges for sales and/or services	664,798	84,389	0	47	0
Administrative services provided to other funds	294,594	0	0	0	0
Fines and forfeitures	334,025	0	0	0	0
Interest	120,624	58,160	68,665	161,858	67,181
Net increase (decrease) in fair value of investments	31,835	13,240	17,460	42,186	17,510
Miscellaneous	79,047	56,288	0	39,607	180,474
Total Revenues	12,253,329	583,749	2,054,866	503,452	3,138,877
EXPENDITURES					
Current -					
General government	1,892,158	0	0	0	0
Public safety	5,304,852	0	0	0	0
Public works	1,100,042	0	0	0	10,381
Parks and recreation	1,942,068	0	0	0	0
Community development	625,022	358,729	0	0	0
Capital outlay	0	514,598	0	839,920	2,862,113
Debt service -					
Principal	0	0	1,732,896	0	0
Interest and other fees	0	0	399,703	0	28,959
Total Expenditures	10,864,142	873,327	2,132,599	839,920	2,901,453
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,389,187	(289,578)	(77,733)	(336,468)	237,424
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	0	0	511	0	1,704,489
Proceeds from sale of property and equipment	0	0	0	36,163	0
Discount on debt issued	0	0	0	0	(17,391)
Transfers in	0	123,569	0	528,453	0
Transfers out	(1,487,800)	0	0	0	0
Total Other Financing Sources (Uses)	(1,487,800)	123,569	511	564,616	1,687,098
NET CHANGE IN FUND BALANCES	(98,613)	(166,009)	(77,222)	228,148	1,924,522
FUND BALANCES - BEGINNING OF YEAR	7,613,583	3,736,787	3,908,495	8,379,136	2,103,795
FUND BALANCES - END OF YEAR	\$7,514,970	\$3,570,778	\$3,831,273	\$8,607,284	\$4,028,317

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

Major Building Replacement - Capital Projects	Other Governmental Funds	Total Governmental Funds
\$0	\$380,689	\$9,323,325
0	34,992	2,718,038
0	0	674,693
0	42,470	3,944,380
0	10,028	759,262
0	0	294,594
0	19,100	353,125
186,984	138,062	801,534
48,736	35,986	206,953
0	24,220	379,636
235,720	685,547	19,455,540
0	6,832	1,898,990
0	688,103	5,992,955
0	340,129	1,450,552
0	13,002	1,955,070
0	399,019	1,382,770
0	312,168	4,528,799
0	77,187	1,810,083
0	100,637	529,299
0	1,937,077	19,548,518
235,720	(1,251,530)	(92,978)
0	0	1,705,000
0	5,151	41,314
0	0	(17,391)
0	994,550	1,646,572
0	(18,569)	(1,506,369)
0	981,132	1,869,126
235,720	(270,398)	1,776,148
9,410,035	8,558,288	43,710,119
<u>\$9,645,755</u>	<u>\$8,287,890</u>	<u>\$45,486,267</u>

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$1,776,148

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	\$3,162,637	
Depreciation expense	<u>(2,956,475)</u>	206,162

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets. (5,741)

Certain revenues are included in the change in net assets, 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, 2011	10,339,476	
Deferred revenue - December 31, 2010	<u>(9,557,916)</u>	781,560

Net income (loss) from joint venture - West Metro Fire-Rescue District 632,235

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 assets. 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	(1,705,000)	
Bond principal payments	1,732,896	
Bond issuance costs	28,959	
Discount on bonds issued	<u>17,391</u>	74,246

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.

Accrued interest payable	(2,961)	
Amortization of bond issuance costs	(9,402)	
Amortization of bond discount	(5,605)	
Compensated absences	(10,650)	
Net OPEB obligation	<u>(38,643)</u>	(67,261)

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. (90,382)

CHANGE IN NET ASSETS PER STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES \$3,306,967

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$8,462,983	\$7,917,035	\$7,945,447	\$28,412
Special assessments	124,000	124,000	223,163	99,163
Licenses, permits and inspections	642,220	642,220	674,693	32,473
Intergovernmental	1,353,606	1,899,554	1,885,103	(14,451)
Charges for sales and/or services	588,760	588,760	664,798	76,038
Administrative services provided to other funds	294,594	294,594	294,594	0
Fines and forfeitures	339,500	339,500	334,025	(5,475)
Interest	75,000	75,000	120,624	45,624
Net increase (decrease) in fair value of investments	0	0	31,835	31,835
Miscellaneous	53,000	53,000	79,047	26,047
Total Revenues	11,933,663	11,933,663	12,253,329	319,666
EXPENDITURES				
Current -				
General government -				
Mayor and council	129,265	109,065	100,717	8,348
Administration	901,611	898,611	842,314	56,297
Human resources	58,733	58,733	52,931	5,802
Assessing	198,157	198,157	196,458	1,699
Legal	72,000	92,750	92,702	48
Elections	6,623	6,623	3,620	3,003
Finance	446,685	446,685	443,182	3,503
City buildings	170,218	170,218	160,234	9,984
Total General Government	1,983,292	1,980,842	1,892,158	88,684
Public safety -				
Police	4,393,552	4,393,552	4,312,990	80,562
Fire	991,862	991,862	991,862	0
Total Public Safety	5,385,414	5,385,414	5,304,852	80,562
Public works -				
Engineering	321,350	321,350	319,554	1,796
Street maintenance	788,665	788,665	780,488	8,177
Total Public Works	1,110,015	1,110,015	1,100,042	9,973
Parks and recreation -				
Park maintenance	689,694	689,694	651,454	38,240
Forestry	169,712	169,712	149,482	20,230
Recreation	635,514	633,014	618,923	14,091
Community Center	334,804	337,304	337,284	20
Waterslide / swimming pool	224,687	224,687	184,925	39,762
Total Parks and Recreation	2,054,411	2,054,411	1,942,068	112,343

Continued . . .

City of Crystal
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Continued from previous page . . .				
Community development -				
Planning and code enforcement	\$202,828	\$202,828	\$196,854	\$5,974
Building inspection	225,498	225,698	225,677	21
Housing inspection	172,800	172,800	168,662	4,138
Health department	31,605	33,855	33,829	26
Total Community Development	<u>632,731</u>	<u>635,181</u>	<u>625,022</u>	<u>10,159</u>
Total Expenditures	<u>11,165,863</u>	<u>11,165,863</u>	<u>10,864,142</u>	<u>301,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	767,800	767,800	1,389,187	621,387
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(767,800)</u>	<u>(1,487,800)</u>	<u>(1,487,800)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	0	(720,000)	(98,613)	621,387
FUND BALANCES - BEGINNING OF YEAR	<u>7,613,583</u>	<u>7,613,583</u>	<u>7,613,583</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$7,613,583</u></u>	<u><u>\$6,893,583</u></u>	<u><u>\$7,514,970</u></u>	<u><u>\$621,387</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$274,000	\$274,000	\$288,880	\$14,880
Intergovernmental	0	0	82,792	82,792
Charges for sales and/or services	306,086	306,086	84,389	(221,697)
Interest	37,364	37,364	58,160	20,796
Net increase (decrease) in fair value of investments	0	0	13,240	13,240
Miscellaneous	35,000	35,000	56,288	21,288
Total Revenues	652,450	652,450	583,749	(68,701)
EXPENDITURES				
Current -				
Community development	290,761	381,761	358,729	23,032
Capital outlay	860,000	872,000	514,598	357,402
Total Expenditures	1,150,761	1,253,761	873,327	380,434
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(498,311)	(601,311)	(289,578)	311,733
OTHER FINANCING SOURCES (USES)				
Transfers in	11,000	116,000	123,569	7,569
NET CHANGE IN FUND BALANCES	(487,311)	(485,311)	(166,009)	319,302
FUND BALANCES - BEGINNING OF YEAR	3,736,787	3,736,787	3,736,787	0
FUND BALANCES - END OF YEAR	<u>\$3,249,476</u>	<u>\$3,251,476</u>	<u>\$3,570,778</u>	<u>\$319,302</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 ASSETS
Proprietary Funds
December 31, 2011

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
ASSETS					
Current Assets:					
Cash and cash equivalents	\$240,232	\$449,152	\$102,986	\$64,671	\$7,477
Investments	2,267,017	4,238,551	971,851	610,286	70,563
Accrued interest	17,623	27,859	9,092	4,058	327
Accounts receivable	505,161	383,398	124,044	19,191	63,004
Special assessments receivable	423,173	0	0	0	0
Due from other governments	63,175	0	222,654	290	0
Inventory	22,947	5,793	4,121	0	0
Other assets	850	0	34,000	0	0
Total Current Assets	3,540,178	5,104,753	1,468,748	698,496	141,371
Noncurrent Assets:					
Equity interest in joint venture	562,881	0	0	0	0
Capital Assets -					
Land	42,200	0	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	158,724	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	2,184,577	5,920,352	8,748,459	481,611	0
Construction in progress	341,000	0	893,660	118,913	0
	5,091,336	6,671,578	10,906,643	617,385	0
Less: accumulated depreciation	(1,726,597)	(4,377,869)	(4,338,079)	(80,838)	0
Total Capital Assets (net of accumulated depreciation)	3,364,739	2,293,709	6,568,564	536,547	0
Total Noncurrent Assets	3,927,620	2,293,709	6,568,564	536,547	0
Total Assets	7,467,798	7,398,462	8,037,312	1,235,043	141,371
LIABILITIES					
Current Liabilities:					
Accounts payable	2,890	3,296	4,235	12,339	0
Due to other governments	11,836	2,171	1,198	0	0
Accrued salaries and wages	9,654	9,654	4,827	0	0
Deposits payable	800	0	0	0	0
Contracts payable	0	0	22,510	0	0
Current portion of accrued compensated absences	8,114	8,114	4,056	0	0
Total Current Liabilities	33,294	23,235	36,826	12,339	0
Noncurrent Liabilities:					
Noncurrent portion of accrued compensated absences	28,278	28,278	14,139	0	0
Net OPEB obligation	8,095	8,095	4,048	0	0
Total Noncurrent Liabilities	36,373	36,373	18,187	0	0
Total Liabilities	69,667	59,608	55,013	12,339	0
NET ASSETS					
Invested in capital assets	3,364,739	2,293,709	6,568,564	536,547	0
Unrestricted	4,033,392	5,045,145	1,413,735	686,157	141,371
Total Net Assets	\$7,398,131	\$7,338,854	\$7,982,299	\$1,222,704	\$141,371

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

Total	Governmental Activities - Internal Service Funds
\$864,518	\$113,743
8,158,268	1,073,379
58,959	6,802
1,094,798	0
423,173	0
286,119	0
32,861	0
34,850	0
10,953,546	1,193,924
562,881	0
759,062	0
229,465	0
187,401	0
2,867,358	0
29,287	0
98,664	0
427,133	0
17,334,999	0
1,353,573	0
23,286,942	0
(10,523,383)	0
12,763,559	0
13,326,440	0
24,279,986	1,193,924
22,760	298,864
15,205	705
24,135	0
800	0
22,510	0
20,284	0
105,694	299,569
70,695	0
20,238	0
90,933	0
196,627	299,569
12,763,559	0
11,319,800	894,355
<u>\$24,083,359</u>	<u>\$894,355</u>

City of Crystal
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
OPERATING REVENUES					
Charges for sales and/or services	\$2,549,324	\$1,913,165	\$653,009	\$162,722	\$334,654
Other charges	166,398	11,558	3,752	290	0
Miscellaneous	0	0	0	0	0
Total Operating Revenues	2,715,722	1,924,723	656,761	163,012	334,654
OPERATING EXPENSES					
Personal services	276,383	276,382	141,322	0	0
Other services	213,591	72,422	211,433	20,842	397
Supplies	43,785	42,221	18,677	978	0
Water purchases	2,119,106	0	0	0	0
Sewage disposal charges	0	1,279,669	0	0	0
Electric service	0	0	0	131,207	0
Recycling charges	0	0	0	0	326,172
Depreciation	158,813	139,368	196,941	24,924	0
Administrative services charged by General Fund	118,913	118,913	31,998	9,040	5,349
Insurance	0	0	0	0	0
Total Operating Expenses	2,930,591	1,928,975	600,371	186,991	331,918
OPERATING INCOME (LOSS)	(214,869)	(4,252)	56,390	(23,979)	2,736
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental	0	0	347,404	0	0
Interest	56,953	90,039	29,385	13,115	1,056
Net increase (decrease) in fair value of investments	14,845	23,468	7,659	3,418	275
Gain (loss) on disposition of capital assets	7,333	7,333	7,334	0	0
Net income (loss) from joint venture	193,633	0	0	0	0
Total Non-Operating Revenues (Expenses)	272,764	120,840	391,782	16,533	1,331
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	57,895	116,588	448,172	(7,446)	4,067
CAPITAL CONTRIBUTIONS	0	0	590,656	0	0
TRANSFERS OUT	0	0	(140,203)	0	0
CHANGE IN NET ASSETS	57,895	116,588	898,625	(7,446)	4,067
NET ASSETS - BEGINNING OF YEAR	7,340,236	7,222,266	7,083,674	1,230,150	137,304
NET ASSETS - END OF YEAR	\$7,398,131	\$7,338,854	\$7,982,299	\$1,222,704	\$141,371

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

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$5,612,874	\$157,009
181,998	0
0	49,831
5,794,872	206,840
694,087	0
518,685	0
105,661	0
2,119,106	0
1,279,669	0
131,207	0
326,172	0
520,046	0
284,213	0
0	324,936
5,978,846	324,936
(183,974)	(118,096)
347,404	0
190,548	21,984
49,665	5,730
22,000	0
193,633	0
803,250	27,714
619,276	(90,382)
590,656	0
(140,203)	0
1,069,729	(90,382)
23,013,630	984,737
\$24,083,359	\$894,355

City of Crystal
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds				
	Water	Sanitary Sewer	Storm Drainage	Street Lights	Recycling
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$2,730,683	\$1,922,097	\$443,672	\$161,160	\$336,400
Payments to suppliers	(2,537,869)	(1,387,297)	(222,477)	(151,940)	(326,569)
Payments to employees	(282,446)	(282,444)	(144,355)	0	0
Payments for interfund services used	(118,913)	(118,913)	(31,998)	(9,040)	(5,349)
Net cash provided by (used for) operating activities	<u>(208,545)</u>	<u>133,443</u>	<u>44,842</u>	<u>180</u>	<u>4,482</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	0	0	(140,203)	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(322,830)	(415,182)	(1,095,151)	0	0
Proceeds from sale of capital assets	7,333	7,333	7,334	0	0
Subsidy from state grant	0	0	347,404	0	0
Capital contributions	0	0	590,656	0	0
Net cash provided by (used for) capital and related financing activities	<u>(315,497)</u>	<u>(407,849)</u>	<u>(149,757)</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	1,779,859	2,688,608	778,342	349,721	36,801
Purchase of investments	(1,288,786)	(2,409,591)	(552,491)	(346,944)	(40,115)
Interest received	58,847	93,378	29,265	14,077	1,076
Net cash provided by (used for) investing activities	<u>549,920</u>	<u>372,395</u>	<u>255,116</u>	<u>16,854</u>	<u>(2,238)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	25,878	97,989	9,998	17,034	2,244
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR					
	<u>214,354</u>	<u>351,163</u>	<u>92,988</u>	<u>47,637</u>	<u>5,233</u>
CASH AND CASH EQUIVALENTS - END OF YEAR					
	<u>\$240,232</u>	<u>\$449,152</u>	<u>\$102,986</u>	<u>\$64,671</u>	<u>\$7,477</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	(\$214,869)	(\$4,252)	\$56,390	(\$23,979)	\$2,736
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	158,813	139,368	196,941	24,924	0
Changes in assets and liabilities -					
(Increase) decrease in accounts receivable	(4,571)	(2,626)	9,565	(1,562)	1,746
(Increase) decrease in special assessments receivable	56,683	0	0	0	0
(Increase) decrease in due from other governments	(37,151)	0	(222,654)	(290)	0
(Increase) decrease in inventory	(832)	8,418	71	0	0
Increase (decrease) in accounts payable	(1,511)	(1,588)	(2,572)	1,087	0
Increase (decrease) in due to other governments	(159,844)	185	214	0	0
Increase (decrease) in accrued salaries and wages	(783)	(782)	(391)	0	0
Increase (decrease) in deposits payable	800	0	0	0	0
Increase (decrease) in contracts payable	0	0	22,510	0	0
Increase (decrease) in retainage payable	0	0	(12,590)	0	0
Increase (decrease) in accrued compensated absences	(6,219)	(6,219)	(3,111)	0	0
Increase (decrease) in net OPEB obligation	939	939	469	0	0
Net cash provided by (used for) operating activities	<u>(\$208,545)</u>	<u>\$133,443</u>	<u>\$44,842</u>	<u>\$180</u>	<u>\$4,482</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Net increase (decrease) in fair value of investments	<u>\$14,845</u>	<u>\$23,468</u>	<u>\$7,659</u>	<u>\$3,418</u>	<u>\$275</u>
Net income (loss) from joint venture	<u>\$193,633</u>				

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

Total	Governmental Activities - Internal Service Funds
\$5,594,012	\$206,840
(4,626,152)	(223,784)
(709,245)	0
(284,213)	0
<u>(25,598)</u>	<u>(16,944)</u>
(140,203)	0
(1,833,163)	0
22,000	0
347,404	0
590,656	0
<u>(873,103)</u>	<u>0</u>
5,633,331	633,018
(4,637,927)	(610,210)
196,643	22,672
<u>1,192,047</u>	<u>45,480</u>
153,143	28,536
<u>711,375</u>	<u>85,207</u>
<u>\$864,518</u>	<u>\$113,743</u>
(\$183,974)	(\$118,096)
520,046	0
2,552	0
56,683	0
(260,095)	0
7,657	0
(4,584)	103,160
(159,445)	(2,008)
(1,956)	0
800	0
22,510	0
(12,590)	0
(15,549)	0
2,347	0
<u>(\$25,598)</u>	<u>(\$16,944)</u>
<u>\$49,665</u>	<u>\$5,730</u>
<u>\$193,633</u>	

City of Crystal
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 December 31, 2011

	West Metro Fire-Rescue District Investment Trust Fund	Hennepin Recycling Group Agency Fund
ASSETS		
Cash and cash equivalents	\$37,315	\$134,008
Investments	352,128	1,264,604
Accrued interest	2,350	7,963
	391,793	\$1,406,575
LIABILITIES		
Accounts payable	0	\$24,754
Due to other governments	0	66,550
Due to West Metro Fire-Rescue District	391,793	0
Due to Hennepin Recycling Group	0	1,315,271
	391,793	\$1,406,575
NET ASSETS		
Held in trust for pool participants	\$0	

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

City of Crystal
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds
 For the Year Ended December 31, 2011

	West Metro Fire-Rescue District Investment Trust Fund
ADDITIONS	
Interest	\$7,595
Net increase (decrease) in fair value of investments	1,979
Total Additions	9,574
DEDUCTIONS	
Distributions to participant	391,793
Administrative expenses	19
Total Deductions	391,812
CHANGE IN NET ASSETS	(382,238)
NET ASSETS - BEGINNING OF YEAR	382,238
NET ASSETS - END OF YEAR	\$0

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, 2011

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, 2011

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 Assets 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 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 investment trust fund and 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, 2011

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.
- Debt Service – This fund accounts for the 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 the 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 anticipated.
- 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, 2011

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 the Metropolitan Council Environmental Services.
- 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.

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) and post employment health benefits for eligible retirees.
- The Investment Trust Fund is used to account for both internal (City) and external (West Metro Fire-Rescue District) investment pool activities. All funds of both entities are held, managed and invested as part of a shared pool. Investment earnings are allocated based on average cash balances.
- The Agency Fund accounts for the collection, recycling and disposal of solid waste activities of the Hennepin Recycling Group, a jointly-governed organization in which the City participates.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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 Assets or Equity

1. Deposits and Investments

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

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

Cash balances from all funds are combined and invested to the extent available in authorized investments (Refer to the 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.

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 on May 15 and October 15 of each year. Personal property taxes may be paid on 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 and are fully offset by deferred revenue because they are not known to be available to finance current expenditures.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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. 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 TIF Districts and EDA Special Revenue Funds. Any costs incurred that are above a property's net realizable value are reported as expenditures of the current period. Land held for resale is offset by a Nonspendable fund balance classification in the TIF Districts and EDA Special Revenue Funds to indicate that it is not available for appropriation and is not expendable available financial resources.

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 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.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

8. Capital Assets (Continued)

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.

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:

<u>Classification</u>	<u>Years</u>
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	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, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

10. Long-Term Obligations

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

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

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, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets 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, 2011

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.

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.

At year-end, the City’s carrying amount of deposits was \$304,567 and the bank balance was \$376,966. 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.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 3 – Deposits and Investments (Continued)

A. Deposits (Continued)

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, 2011

Note 3 – Deposits and Investments (Continued)

B. Investments (Continued)

As of December 31, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		2012	2013	2014 through 2015	2016 through 2017
Certificates of Deposit	\$14,682,518	\$7,426,446	\$5,133,858	\$1,631,657	\$490,557
Federal Farm Credit Notes	2,504,692	0	0	1,003,437	1,501,255
Federal Home Loan Banks	5,503,405	0	0		5,503,405
Federal Home Loan Mtge. Corp.	2,002,576	0	0	1,000,868	1,001,708
Federal Natl. Mortgage Assoc.	3,007,048	0	0	999,426	2,007,622
State & Local Govt. Bonds	23,782,363	4,676,269	6,738,809	9,663,995	2,703,290
Subtotal	51,482,602	12,102,715	11,872,667	14,299,383	13,207,837
Money Market Accounts *	5,150,960	5,150,960	N/A	N/A	N/A
Total	<u>\$56,633,562</u>	<u>\$17,253,675</u>	<u>\$11,872,667</u>	<u>\$14,299,383</u>	<u>\$13,207,837</u>

* Includes \$897,016 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, 2011, 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 A3 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, 2011

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, 2011, the following investments exceeded 5% of the City's total investments:

Federal Home Loan Banks	9.72%
Federal National Mortgage Association	5.31%

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

Total Cash and Investments

Cash on hand	\$1,777
Carrying amount of deposits	304,567
Carrying amount of investments	56,633,562
	<u>56,939,906</u>
Less: carrying amount of deposits held for West Metro Fire-Rescue District	<u>389,443</u>
	<u><u>\$56,550,463</u></u>

Total Cash, Cash Equivalents, and Investments

Per Statement of Net Assets -	
Cash and cash equivalents	\$5,227,308
Temporarily restricted cash and cash equivalents	58,673
Investments	49,865,870
Per Statement of Changes in Assets and Liabilities -	
Agency Fund: Hennepin Recycling Group -	
Cash and cash equivalents	134,008
Investments	1,264,604
	<u><u>\$56,550,463</u></u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 4 – Investment Trust Fund

The City administers an external investment pool, combining City money with voluntary investments from the West Metro Fire-Rescue District (the District), a joint venture.

Each participant's share is equal to their original investment plus or minus monthly allocation of interest income and realized and unrealized gains and losses. The fair market value of the City's investments is determined annually. The determination of realized gains and losses is independent of the determination of the net change in the fair market value of investments. Realized gains and losses on investments that were held by the City during a previous accounting period, but sold during the current period, were used to compute the change in the fair value of investments for the previous year as well as the current year. The District's share and redemption value are calculated using the same method.

The City has overall responsibility for investment of City funds, including the Investment Trust Fund, in accordance with Minnesota Statutes Chapter 118A (see Note 3). The City's Finance Director is the investment official, under authority delegated by the City Council. The City has not provided or obtained any legally binding guarantees during the period to support the value of shares. The external investment pool is not registered with the SEC as an investment company.

On January 2, 2012, the City of Crystal transferred responsibility for investing the funds of the West Metro Fire-Rescue District to the City of New Hope. The entire balance shown below for the West Metro Fire-Rescue District was paid to the City of New Hope.

Condensed financial statements of the investment pool are as follows:

COMBINING STATEMENT OF NET ASSETS
For the Year Ended December 31, 2011

	Internal Investment Pool	External Investment Pool	
	City of Crystal	West Metro Fire-Rescue District	Total
ASSETS			
Cash and cash equivalents	\$5,419,989	\$37,315	\$5,457,304
Investments	51,130,474	352,128	51,482,602
Total cash and investments	56,550,463	389,443	56,939,906
Accrued interest	319,405	2,350	321,755
Total Assets	56,869,868	391,793	57,261,661
LIABILITIES	0	(391,793)	(391,793)
NET ASSETS			
Held in trust for pool participants	\$56,869,868	\$0	\$56,869,868

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 4 – Investment Trust Fund (Continued)

COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2011

	Internal Investment Pool	External Investment Pool	
	City of Crystal	West Metro Fire-Rescue District	Total
ADDITIONS			
Interest	\$1,014,067	\$7,595	\$1,021,662
Net increase (decrease) in fair value of investments	<u>262,347</u>	<u>1,979</u>	<u>264,326</u>
Total Additions	1,276,414	9,574	1,285,988
DEDUCTIONS			
Net cash basis for non-investing transactions	(1,038,049)	0	(1,038,049)
Distributions to participant	0	391,793	391,793
Administrative expenses	<u>0</u>	<u>19</u>	<u>19</u>
Total Deductions	<u>(1,038,049)</u>	<u>391,812</u>	<u>(646,237)</u>
CHANGE IN NET ASSETS	2,314,463	(382,238)	1,932,225
NET ASSETS - BEGINNING OF YEAR	<u>54,555,405</u>	<u>382,238</u>	<u>54,937,643</u>
NET ASSETS - END OF YEAR	<u><u>\$56,869,868</u></u>	<u><u>\$0</u></u>	<u><u>\$56,869,868</u></u>

Note 5 – Interfund Transfers

	Transfers In			Total
	EDA	Capital Improvement Revolving	Non-major Governmental Funds	
Transfers Out				
General	\$0	\$493,250	\$994,550	\$1,487,800
TIF Districts	18,569	0	0	18,569
Storm Drainage	<u>105,000</u>	<u>35,203</u>	<u>0</u>	<u>140,203</u>
Total	<u><u>\$123,569</u></u>	<u><u>\$528,453</u></u>	<u><u>\$994,550</u></u>	<u><u>\$1,646,572</u></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, 2011

Note 6 – Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$3,378,667	\$22,795	\$0	\$3,401,462
Construction in progress	410,752	2,374,209	(246,075)	2,538,886
Total Capital Assets Not Being Depreciated	3,789,419	2,397,004	(246,075)	5,940,348
Capital Assets Being Depreciated:				
Buildings and structures	10,480,247	41,328	0	10,521,575
Improvements other than buildings	5,006,569	124,828	0	5,131,397
Machinery and equipment	3,184,934	35,057	(7,100)	3,212,891
Office equipment and furniture	564,687	51,838	(38,966)	577,559
Software	256,624	0	(144,831)	111,793
Vehicles	2,022,807	345,127	(196,122)	2,171,812
Infrastructure -				
Traffic and transportation systems	43,876,532	413,530	(163,644)	44,126,418
Park systems	191,538	0	0	191,538
Total Capital Assets Being Depreciated	65,583,938	1,011,708	(550,663)	66,044,983
Less Accumulated Depreciation for:				
Buildings and structures	(5,630,183)	(285,518)	0	(5,915,701)
Improvements other than buildings	(2,131,373)	(177,267)	0	(2,308,640)
Machinery and equipment	(1,804,359)	(221,712)	7,100	(2,018,971)
Office equipment and furniture	(327,732)	(50,264)	33,224	(344,772)
Software	(188,619)	(13,966)	144,831	(57,754)
Vehicles	(1,298,391)	(210,815)	196,123	(1,313,083)
Infrastructure -				
Traffic and transportation systems	(20,840,288)	(1,985,542)	163,644	(22,662,186)
Park systems	(53,125)	(11,391)	0	(64,516)
Total Accumulated Depreciation	(32,274,070)	(2,956,475)	544,922	(34,685,623)
Total Capital Assets Being Depreciated, Net	33,309,868	(1,944,767)	(5,741)	31,359,360
Governmental Activities Capital Assets, Net	\$37,099,287	\$452,237	(\$251,816)	\$37,299,708

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 6 – Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$149,800	\$609,262	\$0	\$759,062
Improvements other than buildings	0	170,540	0	170,540
Construction in progress	1,467,761	551,660	(665,848)	1,353,573
Total Capital Assets Not Being Depreciated	1,617,561	1,331,462	(665,848)	2,283,175
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	2,786,134	203,764	(122,540)	2,867,358
Office equipment and furniture	29,287	0	0	29,287
Software	98,664	0	0	98,664
Vehicles	427,133	0	0	427,133
Infrastructure -				
Utility systems	15,889,603	963,785	0	16,853,388
Traffic and transportation systems	481,611	0	0	481,611
Total Capital Assets Being Depreciated	19,958,758	1,167,549	(122,540)	21,003,767
Less Accumulated Depreciation for:				
Buildings and structures	(146,659)	(7,816)	0	(154,475)
Improvements other than buildings	(3,864)	(843)	0	(4,707)
Machinery and equipment	(731,899)	(139,178)	122,540	(748,537)
Office equipment and furniture	(5,858)	(5,857)	0	(11,715)
Software	(98,664)	0	0	(98,664)
Vehicles	(293,733)	(25,908)	0	(319,641)
Infrastructure -				
Utility systems	(8,793,150)	(316,363)	0	(9,109,513)
Traffic and transportation systems	(52,050)	(24,081)	0	(76,131)
Total Accumulated Depreciation	(10,125,877)	(520,046)	122,540	(10,523,383)
Total Capital Assets Being Depreciated, Net	9,832,881	647,503	0	10,480,384
Business-type Activities Capital Assets, Net	\$11,450,442	\$1,978,965	(\$665,848)	\$12,763,559

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 6 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities -	
General government	\$183,937
Public safety	180,388
Public works	2,132,564
Parks and recreation	451,006
Community development	8,580
Total Depreciation Expense - Governmental Activities	<u>\$2,956,475</u>
Business-type Activities -	
Water	\$158,813
Sanitary sewer	139,368
Storm drainage	196,941
Street lights	24,924
Total Depreciation Expense - Business-type Activities	<u>\$520,046</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 7 – 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	\$1,560,000
G.O. street refunding bonds - 2010A	2010 - 2012	0%	617,322	0
G.O. street refunding and reconstruction bonds - 2010B	2012 - 2014	0%	<u>1,587,678</u>	<u>842,995</u>
			4,600,000	2,402,995
Governmental activities - special assessments -				
Improvement & refunding bonds - 2004A	2005 - 2020	4.50 - 4.75%	2,045,000	995,000
Improvement bonds - 2005A	2007 - 2021	3.50 - 4.00%	1,440,000	920,000
Improvement bonds - 2006A	2008 - 2022	3.75 - 4.20%	1,855,000	1,275,000
Improvement bonds - 2008A	2010 - 2024	3.50 - 4.35%	2,190,000	1,810,000
Improvement bonds - 2009A	2011 - 2030	2.00 - 4.50%	3,360,000	3,175,000
Improvement bonds - 2011A	2013 - 2027	0.50 - 3.55%	<u>1,705,000</u>	<u>1,705,000</u>
			12,595,000	9,880,000
Governmental activities - note payable -				
LOGIS - public safety application software	2011-2015	3.00%	<u>58,501</u>	<u>46,100</u>
Total			<u>\$17,253,501</u>	<u>\$12,329,095</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, 2011

Note 7 – Long-Term Debt (Continued)

Changes in long-term debt during 2011 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	\$1,700,000	\$0	(\$140,000)	\$1,560,000	\$145,000
Street refunding bonds - 2010A	108,213	0	(108,213)	0	0
Street refunding and reconstruction bonds - 2010B	<u>1,587,678</u>	<u>0</u>	<u>(744,683)</u>	<u>842,995</u>	<u>509,109</u>
	3,395,891	0	(992,896)	2,402,995	654,109
G.O. special assessment bonds with government commitment -					
Improvement & refunding bonds - 2004A	1,150,000	0	(155,000)	995,000	150,000
Improvement bonds - 2005A	1,020,000	0	(100,000)	920,000	100,000
Improvement bonds - 2006A	1,410,000	0	(135,000)	1,275,000	130,000
Improvement bonds - 2008A	1,975,000	0	(165,000)	1,810,000	160,000
Improvement bonds - 2009A	3,360,000	0	(185,000)	3,175,000	205,000
Improvement bonds - 2011A	<u>0</u>	<u>1,705,000</u>	<u>0</u>	<u>1,705,000</u>	<u>0</u>
	8,915,000	1,705,000	(740,000)	9,880,000	745,000
Sub-total	12,310,891	1,705,000	(1,732,896)	12,282,995	1,399,109
Bond discounts	<u>(72,116)</u>	<u>(17,391)</u>	<u>5,605</u>	<u>(83,902)</u>	<u>(6,353)</u>
Total Bonds Payable	12,238,775	1,687,609	(1,727,291)	12,199,093	1,392,756
Note payable -					
LOGIS - public safety application software	46,100	0	0	46,100	11,019
Compensated absences	<u>859,151</u>	<u>678,607</u>	<u>(667,957)</u>	<u>869,801</u>	<u>253,732</u>
Governmental Activity Long-term Liabilities	<u>\$13,144,026</u>	<u>\$2,366,216</u>	<u>(\$2,395,248)</u>	<u>\$13,114,994</u>	<u>\$1,657,507</u>
<u>Business-type Activities</u>					
Compensated absences	<u>\$106,528</u>	<u>\$40,191</u>	<u>(\$55,740)</u>	<u>\$90,979</u>	<u>\$20,284</u>

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 7 – 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 2010A and 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. In 2010, a portion of these issues, \$1,204,778, was used to do a current refunding of G.O. Street Reconstruction Bonds, Series 2009B.

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	
	Principal	Interest
2012	\$654,109	\$59,500
2013	488,886	53,500
2014	160,000	47,200
2015	165,000	40,700
2016	170,000	34,000
2017-2020	765,000	62,900
	\$2,402,995	\$297,800

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>	G.O. Special Assessment Bonds	
	Principal	Interest
2012	\$745,000	\$329,043
2013	870,000	304,630
2014	850,000	280,093
2015	790,000	255,477
2016	770,000	230,336
2017-2021	3,475,000	770,124
2022-2026	1,730,000	279,500
2027-2030	650,000	50,570
	\$9,880,000	\$2,499,773

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 7 – 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
2012	\$11,019	\$1,382
2013	11,350	1,051
2014	11,690	711
2015	12,041	360
	\$46,100	\$3,504

Total delinquent special assessments receivable for all funds for the years ending December 31, 2011 and 2010 were \$277,551 and \$204,938, respectively.

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

Note 8 – 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. In each case, 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, 2011

Note 8 – Tax Increment Financing Revenue Notes (Continued)

The outstanding principal balances as of December 31, 2011, are as follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Tax Increment Revenue Note - 1995A	1997 - 2016	8.50%	\$510,579
Tax Increment Revenue Note - 1995B	1997 - 2016	8.50%	82,296
Tax Increment Revenue Note - 1996A	1999 - 2016	8.50%	104,126
Tax Increment Revenue Note - 2002	2002 - 2016	7.00%	<u>526,073</u>
			<u>\$1,223,074</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 9 – 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, 2011, there were four debt issues outstanding. The aggregate original issue amounts and principal balances outstanding as of December 31, 2011, 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	3,966,939
LOGIS Government Facilities Revenue Bonds	2006	<u>6,000,000</u>	<u>5,008,249</u>
		<u>\$19,335,000</u>	<u>\$17,710,188</u>

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 10 – Fund Balance

A. Classifications

During 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. A summary of governmental fund balance classifications at December 31, 2011, 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	\$2,468,311	\$2,468,311
MURL revolving fund	0	29,775	0	0	0	0	0	29,775
Debt service	0	0	3,831,273	0	0	0	0	3,831,273
10% lawful gambling contrib.	0	0	0	0	0	0	6,323	6,323
DWI-related enforcement, training, and education	0	0	0	0	0	0	38,188	38,188
Total Restricted	0	29,775	3,831,273	0	0	0	2,512,822	6,373,870
Committed -								
Compensated absences	869,801	0	0	0	0	0	0	869,801
Housing and redevelopment assistance	0	3,541,003	0	0	0	0	0	3,541,003
Cap. outlay - city wide	0	0	0	8,607,284	0	0	0	8,607,284
Cap. outlay - street reconstruction	0	0	0	0	4,028,317	0	0	4,028,317
Cap. outlay - replace and renovation of city bldgs.	0	0	0	0	0	9,645,755	0	9,645,755
Cap. outlay - police dept.	0	0	0	0	0	0	3,184,679	3,184,679
Cap. outlay - fire dept.	0	0	0	0	0	0	629,063	629,063
Cap. outlay - street maint.	0	0	0	0	0	0	1,908,638	1,908,638
Total Committed	869,801	3,541,003	0	8,607,284	4,028,317	9,645,755	5,722,380	32,414,540
Assigned -								
Police dept. purposes	0	0	0	0	0	0	7,138	7,138
Park and rec. dept. purposes	0	0	0	0	0	0	33,275	33,275
Other purposes	0	0	0	0	0	0	12,275	12,275
Total Assigned	0	0	0	0	0	0	52,688	52,688
Unassigned	6,645,169	0	0	0	0	0	0	6,645,169
Total Fund Balances	\$7,514,970	\$3,570,778	\$3,831,273	\$8,607,284	\$4,028,317	\$9,645,755	\$8,287,890	\$45,486,267

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 10 – 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 the fund balance at the end of a year exceeds the nonspendable 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, 2011, the minimum fund balance required was \$6,395,992, leaving an excess available for transfer of \$1,118,978.

Note 11 – 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, 2011

Note 11 – 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 2011. PEPFF members were required to contribute 9.60% of their annual covered salary in 2011. In 2011, 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, 2011

Note 11 – 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, 2011, 2010, and 2009 were \$276,233, 273,646, and \$259,257, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$327,229, \$309,075, and \$309,711, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 12 – 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 2011 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>	
\$1,586	\$1,586	5.00%	5.00%	5.00%

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 13 – 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. Medical coverage is administered by HealthPartners. 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 the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed \$92,143 to the plan. As of January 1, 2011, there were 14 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 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.

	<u>Net OPEB Obligation</u>
Annual required contribution	\$ 131,325
Interest on net OPEB obligation	9,219
Adjustment to annual required contributions	<u>(7,411)</u>
Annual OPEB cost (expense)	133,133
Employer contributions	<u>(92,143)</u>
Increase in net OPEB obligation	40,990
Net OPEB obligation - beginning of year	<u>204,856</u>
 Net OPEB obligation - end of year	 <u><u>\$ 245,846</u></u>

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 13 – 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
12/31/09	\$172,423	\$101,538	59%	\$70,885	\$143,358
12/31/10	133,811	72,313	54%	61,498	204,856
12/31/11	133,133	92,143	69%	40,990	245,846

D. Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,373,699 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,373,699. The covered payroll (annual payroll of active employees covered by the plan) was \$5,891,381, and the ratio of the UAAL to covered payroll was 23 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, 2011

Note 13 – 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, 2011 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 depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter term, based on the City's general assets). 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 closed basis. The remaining amortization period at January 1, 2011 was 27 years.

Note 14 – 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 2011.

City of Crystal
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2011

Note 14 – 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 \$249,469 is included in accounts payable of the Self-Insurance Fund at December 31, 2011. The liability amount is based on the requirements of Governmental Accounting Standards Board 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. Total liability may exceed \$75,000 if claims are open from more than one year.

Changes in claims liability for 2011 and 2010 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>
2010	\$36,950	\$91,617	\$8,772	\$119,795
2011	119,795	158,466	28,792	249,469

Note 15 – 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, storage and distribution 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, 2011

Note 15 – Joint Ventures and Jointly Governed Organizations

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, 2011 is \$562,881.

Due to the concurrent timing of the fiscal year end and audit of the JWC, the City will report its equity interest in the JWC on a one-year lag. The following financial information is from the JWC's audited financial statements for the year ended December 31, 2010:

TOTAL ASSETS	\$ 2,636,858
TOTAL LIABILITIES	<u>641,189</u>
NET ASSETS	
Invested in capital assets	681,963
Unrestricted	<u>1,313,706</u>
Total Net Assets	<u><u>\$ 1,995,669</u></u>
TOTAL EXPENSES	\$ 5,589,226
TOTAL PROGRAM REVENUES	<u>6,170,198</u>
NET PROGRAM REVENUE (EXPENSE)	580,972
TOTAL GENERAL REVENUES	<u>104,601</u>
CHANGE IN NET ASSETS	685,573
NET ASSETS	
Beginning of year	<u>1,310,096</u>
End of year	<u><u>\$ 1,995,669</u></u>

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

In 1998, the City entered into a joint powers agreement with the City of New Hope to accomplish the consolidation of the fire departments of the cities of Crystal and New Hope, thereby creating a new entity known as the 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, 2011

Note 15 – 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, 2011 is \$2,134,838.

Due to the concurrent timing of the fiscal year end and audit of the District, the City will report its equity interest in the District on a one-year lag. The following financial information is from the District's audited financial statements for the year ended December 31, 2010:

TOTAL ASSETS	\$ 4,787,713
TOTAL LIABILITIES	<u>648,465</u>
NET ASSETS	
Invested in capital assets	1,703,277
Unrestricted	<u>2,435,971</u>
Total Net Assets	<u><u>\$ 4,139,248</u></u>
TOTAL EXPENSES	\$ 2,033,908
TOTAL PROGRAM REVENUES	<u>3,262,178</u>
NET PROGRAM REVENUE (EXPENSE)	1,228,270
TOTAL GENERAL REVENUES	<u>12,660</u>
CHANGE IN NET ASSETS	1,240,930
NET ASSETS	
Beginning of year	<u>2,898,318</u>
End of year	<u><u>\$ 4,139,248</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, 2011

Note 15 – Joint Ventures and Jointly Governed Organizations (Continued)

B. Jointly Governed Organizations

1. Hennepin Recycling Group

The City is a party to a joint powers agreement, together with the cities of Brooklyn Center and New Hope, which established the Hennepin Recycling Group (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 2011 was \$326,172. 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.

2. 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 2011 was \$266,734, which was allocated to various funds based on application usage.

3. LOGIS Insurance Group

This group provides cooperative purchasing of health and life insurance benefits for over 40 government entities. The total 2011 health and life insurance benefits expense recorded within the financial statements is \$1,042,198.

Note 16 – Facility Use Agreement

On August 24, 2004, the City entered into a licensor-licensee relationship with ISD 281. Per the 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.

City of Crystal
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 17 – Commitments

At December 31, 2011, the City had the following construction contract commitments outstanding:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
Phase 11 street reconstruction	Palda & Sons, Inc.	\$3,359,458	\$442,826

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, 2011, \$2,646,461 (including \$1,362,005 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 – Change In Accounting Principle

For the year ended December 31, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The action resulted in a reclassification of fund balances on the governmental fund statements to correspond with the new fund naming structure required by this statement.

Note 19 – 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.

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**Required
Supplementary
Information
Tab**

City of Crystal
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 December 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of 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)
01/01/09 *	\$0	\$1,868,234	\$1,868,234	0%	\$5,656,025	33%
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%

* 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
Tab**

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.

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.

Fire Equipment Revolving – This fund is used to accumulate funds to pay for the replacement of fire trucks. Financing sources include transfers from the General Fund 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 include transfers from the General Fund, special assessments, cost reimbursements, and interest.

City of Crystal
 COMBINING BALANCE SHEET
 Nonmajor Governmental Funds
 December 31, 2011

	Special Revenue		
	TIF Districts	Special Projects	Total
ASSETS			
Cash and cash equivalents	\$159,511	\$8,905	\$168,416
Investments	1,505,271	80,608	1,585,879
Accrued interest	10,586	0	10,586
Delinquent taxes receivable	22,837	0	22,837
Special assessments receivable	0	0	0
Due from other governments	3,620	8,920	12,540
Land held for resale	823,000	0	823,000
TOTAL ASSETS	\$2,524,825	\$98,433	\$2,623,258
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$33,631	\$1,184	\$34,815
Due to other governments	46	50	96
Deferred revenue	22,837	0	22,837
Total Liabilities	56,514	1,234	57,748
Fund Balances:			
Restricted	2,468,311	44,511	2,512,822
Committed	0	0	0
Assigned	0	52,688	52,688
Total Fund Balances	2,468,311	97,199	2,565,510
TOTAL LIABILITIES AND FUND BALANCES	\$2,524,825	\$98,433	\$2,623,258

Capital Projects				Total
Police Equipment Revolving	Fire Equipment Revolving	Street Maintenance	Total	Nonmajor Governmental Funds
\$303,234	\$60,126	\$181,810	\$545,170	\$713,586
2,861,552	567,396	1,715,704	5,144,652	6,730,531
19,029	1,541	11,562	32,132	42,718
0	0	0	0	22,837
0	0	204,417	204,417	204,417
864	0	262	1,126	13,666
0	0	0	0	823,000
<u>\$3,184,679</u>	<u>\$629,063</u>	<u>\$2,113,755</u>	<u>\$5,927,497</u>	<u>\$8,550,755</u>
\$0	\$0	\$700	\$700	\$35,515
0	0	0	0	96
0	0	204,417	204,417	227,254
0	0	205,117	205,117	262,865
0	0	0	0	2,512,822
3,184,679	629,063	1,908,638	5,722,380	5,722,380
0	0	0	0	52,688
<u>3,184,679</u>	<u>629,063</u>	<u>1,908,638</u>	<u>5,722,380</u>	<u>8,287,890</u>
<u>\$3,184,679</u>	<u>\$629,063</u>	<u>\$2,113,755</u>	<u>\$5,927,497</u>	<u>\$8,550,755</u>

City of Crystal
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2011

	Special Revenue		
	TIF Districts	Special Projects	Total
REVENUES			
Property taxes	\$374,375	\$6,314	\$380,689
Special assessments	0	0	0
Intergovernmental	11,701	29,905	41,606
Charges for sales and/or services	10,000	0	10,000
Fines and forfeitures	0	19,100	19,100
Interest	34,213	0	34,213
Net increase (decrease) in fair value of investments	8,918	0	8,918
Miscellaneous	0	13,423	13,423
Total Revenues	439,207	68,742	507,949
EXPENDITURES			
Current -			
General government	0	6,832	6,832
Public safety	0	44,335	44,335
Public works	0	0	0
Parks and recreation	0	13,002	13,002
Community development	399,019	0	399,019
Capital outlay	180,250	0	180,250
Debt service -			
Principal	77,187	0	77,187
Interest and other fees	100,637	0	100,637
Total Expenditures	757,093	64,169	821,262
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(317,886)	4,573	(313,313)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of property and equipment	0	0	0
Transfers in	0	0	0
Transfers out	(18,569)	0	(18,569)
Total Other Financing Sources (Uses)	(18,569)	0	(18,569)
NET CHANGE IN FUND BALANCES	(336,455)	4,573	(331,882)
FUND BALANCES - BEGINNING OF YEAR	2,804,766	92,626	2,897,392
FUND BALANCES - END OF YEAR	\$2,468,311	\$97,199	\$2,565,510

Capital Projects				Total
Police Equipment Revolving	Fire Equipment Revolving	Street Maintenance	Total	Nonmajor Governmental Funds
\$0	\$0	\$0	\$0	\$380,689
0	0	34,992	34,992	34,992
864	0	0	864	42,470
0	0	28	28	10,028
0	0	0	0	19,100
61,500	4,981	37,368	103,849	138,062
16,029	1,299	9,740	27,068	35,986
1,400	0	9,397	10,797	24,220
79,793	6,280	91,525	177,598	685,547
0	0	0	0	6,832
6,912	636,856	0	643,768	688,103
0	0	340,129	340,129	340,129
0	0	0	0	13,002
0	0	0	0	399,019
131,918	0	0	131,918	312,168
0	0	0	0	77,187
0	0	0	0	100,637
138,830	636,856	340,129	1,115,815	1,937,077
(59,037)	(630,576)	(248,604)	(938,217)	(1,251,530)
5,151	0	0	5,151	5,151
102,300	725,000	167,250	994,550	994,550
0	0	0	0	(18,569)
107,451	725,000	167,250	999,701	981,132
48,414	94,424	(81,354)	61,484	(270,398)
3,136,265	534,639	1,989,992	5,660,896	8,558,288
\$3,184,679	\$629,063	\$1,908,638	\$5,722,380	\$8,287,890

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$401,680	\$401,680	\$374,375	(\$27,305)
Intergovernmental	0	0	11,701	11,701
Charges for sales and/or services	110,000	110,000	10,000	(100,000)
Interest	16,050	16,050	34,213	18,163
Net increase (decrease) in fair value of investments	0	0	8,918	8,918
Total Revenues	527,730	527,730	439,207	(88,523)
EXPENDITURES				
Current -				
Community development	401,379	401,379	399,019	2,360
Capital outlay	365,000	365,000	180,250	184,750
Debt service -				
Principal	71,942	74,842	77,187	(2,345)
Interest and other fees	100,637	100,637	100,637	0
Total Expenditures	938,958	941,858	757,093	184,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(411,228)	(414,128)	(317,886)	96,242
OTHER FINANCING SOURCES (USES)				
Transfers out	(11,000)	(11,000)	(18,569)	(7,569)
NET CHANGE IN FUND BALANCES	(422,228)	(425,128)	(336,455)	88,673
FUND BALANCES - BEGINNING OF YEAR	2,804,766	2,804,766	2,804,766	0
FUND BALANCES - END OF YEAR	\$2,382,538	\$2,379,638	\$2,468,311	\$88,673

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$0	\$19,600	\$6,314	(\$13,286)
Intergovernmental	15,000	0	29,905	29,905
Fines and forfeitures	15,000	15,000	19,100	4,100
Miscellaneous	25,000	25,000	13,423	(11,577)
Total Revenues	55,000	59,600	68,742	9,142
EXPENDITURES				
Current -				
General government	7,000	7,000	6,832	168
Public safety	42,000	42,000	44,335	(2,335)
Parks and recreation	6,000	8,400	13,002	(4,602)
Capital outlay	0	7,800	0	7,800
Total Expenditures	55,000	65,200	64,169	1,031
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	0	(5,600)	4,573	10,173
FUND BALANCES - BEGINNING OF YEAR				
	92,626	92,626	92,626	0
FUND BALANCES - END OF YEAR				
	<u>\$92,626</u>	<u>\$87,026</u>	<u>\$97,199</u>	<u>\$10,173</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$3,000	\$3,000	\$864	(\$2,136)
Interest	41,896	41,896	61,500	19,604
Net increase (decrease) in fair value of investments	0	0	16,029	16,029
Miscellaneous	0	0	1,400	1,400
Total Revenues	<u>44,896</u>	<u>44,896</u>	<u>79,793</u>	<u>34,897</u>
EXPENDITURES				
Current -				
Public safety	0	0	6,912	(6,912)
Capital outlay	<u>169,090</u>	<u>169,090</u>	<u>131,918</u>	<u>37,172</u>
Total Expenditures	<u>169,090</u>	<u>169,090</u>	<u>138,830</u>	<u>30,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,194)	(124,194)	(59,037)	65,157
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property and equipment	12,000	12,000	5,151	(6,849)
Transfers in	<u>102,300</u>	<u>102,300</u>	<u>102,300</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>114,300</u>	<u>114,300</u>	<u>107,451</u>	<u>(6,849)</u>
NET CHANGE IN FUND BALANCES	(9,894)	(9,894)	48,414	58,308
FUND BALANCES - BEGINNING OF YEAR	<u>3,136,265</u>	<u>3,136,265</u>	<u>3,136,265</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$3,126,371</u></u>	<u><u>\$3,126,371</u></u>	<u><u>\$3,184,679</u></u>	<u><u>\$58,308</u></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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$75	\$75	\$4,981	\$4,906
Net increase (decrease) in fair value of investments	<u>0</u>	<u>0</u>	<u>1,299</u>	<u>1,299</u>
Total Revenues	75	75	6,280	6,205
EXPENDITURES				
Current - Public safety	<u>636,857</u>	<u>636,857</u>	<u>636,856</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(636,782)	(636,782)	(630,576)	6,206
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>105,000</u>	<u>725,000</u>	<u>725,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	(531,782)	88,218	94,424	6,206
FUND BALANCES - BEGINNING OF YEAR	<u>534,639</u>	<u>534,639</u>	<u>534,639</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$2,857</u></u>	<u><u>\$622,857</u></u>	<u><u>\$629,063</u></u>	<u><u>\$6,206</u></u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$37,396	\$37,396	\$34,992	(\$2,404)
Charges for sales and/or services	0	0	28	28
Interest	28,200	28,200	37,368	9,168
Net increase (decrease) in fair value of investments	0	0	9,740	9,740
Miscellaneous	0	0	9,397	9,397
Total Revenues	65,596	65,596	91,525	25,929
EXPENDITURES				
Current - Public works	397,314	397,314	340,129	57,185
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(331,718)	(331,718)	(248,604)	83,114
OTHER FINANCING SOURCES (USES)				
Transfers in	67,250	167,250	167,250	0
NET CHANGE IN FUND BALANCES	(264,468)	(164,468)	(81,354)	83,114
FUND BALANCES - BEGINNING OF YEAR	1,989,992	1,989,992	1,989,992	0
FUND BALANCES - END OF YEAR	<u>\$1,725,524</u>	<u>\$1,825,524</u>	<u>\$1,908,638</u>	<u>\$83,114</u>

City of Crystal
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 Debt Service
 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$707,443	\$707,443	\$708,309	\$866
Special assessments	1,219,928	1,219,928	1,252,846	32,918
Intergovernmental	34,522	34,522	7,586	(26,936)
Interest	44,850	44,850	68,665	23,815
Net increase (decrease) in fair value of investments	<u>0</u>	<u>0</u>	<u>17,460</u>	<u>17,460</u>
Total Revenues	2,006,743	2,006,743	2,054,866	48,123
EXPENDITURES				
Debt service -				
Principal	1,389,109	1,732,909	1,732,896	13
Interest and other fees	<u>431,839</u>	<u>431,839</u>	<u>399,703</u>	<u>32,136</u>
Total Expenditures	<u>1,820,948</u>	<u>2,164,748</u>	<u>2,132,599</u>	<u>32,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	185,795	(158,005)	(77,733)	80,272
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	<u>0</u>	<u>0</u>	<u>511</u>	<u>511</u>
NET CHANGE IN FUND BALANCES	185,795	(158,005)	(77,222)	80,783
FUND BALANCES - BEGINNING OF YEAR	<u>3,908,495</u>	<u>3,908,495</u>	<u>3,908,495</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$4,094,290</u></u>	<u><u>\$3,750,490</u></u>	<u><u>\$3,831,273</u></u>	<u><u>\$80,783</u></u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$120,240	\$120,240	\$163,534	\$43,294
Intergovernmental	109,860	100,000	96,220	(3,780)
Charges for sales and/or services	0	0	47	47
Interest	115,650	115,650	161,858	46,208
Net increase (decrease) in fair value of investments	0	0	42,186	42,186
Miscellaneous	28,200	28,200	39,607	11,407
Total Revenues	373,950	364,090	503,452	139,362
EXPENDITURES				
Capital Outlay	982,860	1,000,779	839,920	160,859
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(608,910)	(636,689)	(336,468)	300,221
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property and equipment	0	0	36,163	36,163
Transfers in	563,410	563,410	528,453	(34,957)
Total Other Financing Sources (Uses)	563,410	563,410	564,616	1,206
NET CHANGE IN FUND BALANCES	(45,500)	(73,279)	228,148	301,427
FUND BALANCES - BEGINNING OF YEAR	8,379,136	8,379,136	8,379,136	0
FUND BALANCES - END OF YEAR	\$8,333,636	\$8,305,857	\$8,607,284	\$301,427

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$906,337	\$906,337	\$1,043,503	\$137,166
Intergovernmental	643,546	570,000	1,830,209	1,260,209
Interest	26,571	26,571	67,181	40,610
Net increase (decrease) in fair value of investments	0	0	17,510	17,510
Miscellaneous	0	73,546	180,474	106,928
Total Revenues	1,576,454	1,576,454	3,138,877	1,562,423
EXPENDITURES				
Current -				
Public works	10,381	10,381	10,381	0
Capital outlay	3,263,242	3,263,242	2,862,113	401,129
Debt service -				
Interest and other fees	84,556	84,556	28,959	55,597
Total Expenditures	3,358,179	3,358,179	2,901,453	456,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,781,725)	(1,781,725)	237,424	2,019,149
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	1,876,546	1,876,546	1,704,489	(172,057)
Discount on debt issued	0	0	(17,391)	(17,391)
Total Other Financing Sources (Uses)	1,876,546	1,876,546	1,687,098	(189,448)
NET CHANGE IN FUND BALANCES	94,821	94,821	1,924,522	1,829,701
FUND BALANCES - BEGINNING OF YEAR	2,103,795	2,103,795	2,103,795	0
FUND BALANCES - END OF YEAR	\$2,198,616	\$2,198,616	\$4,028,317	\$1,829,701

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$138,000	\$138,000	\$186,984	\$48,984
Net increase (decrease) in fair value of investments	<u>0</u>	<u>0</u>	<u>48,736</u>	<u>48,736</u>
Total Revenues	138,000	138,000	235,720	97,720
FUND BALANCES - BEGINNING OF YEAR	<u>9,410,035</u>	<u>9,410,035</u>	<u>9,410,035</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u><u>\$9,548,035</u></u>	<u><u>\$9,548,035</u></u>	<u><u>\$9,645,755</u></u>	<u><u>\$97,720</u></u>

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 existing net assets of the fund are 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 ASSETS
 Internal Service Funds
 December 31, 2011

	<u>Self- Insurance</u>	<u>Post Employment Health Benefits</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$93,817	\$19,926	\$113,743
Investments	885,335	188,044	1,073,379
Accrued interest	5,476	1,326	6,802
Total Assets	984,628	209,296	1,193,924
 LIABILITIES			
Current Liabilities:			
Accounts payable	245,467	53,397	298,864
Due to other governments	705	0	705
Total Liabilities	246,172	53,397	299,569
 NET ASSETS			
Unrestricted	<u>\$738,456</u>	<u>\$155,899</u>	<u>\$894,355</u>

City of Crystal
**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**
Internal Service Funds
For the Year Ended December 31, 2011

	<u>Self- Insurance</u>	<u>Post Employment Health Benefits</u>	<u>Total</u>
OPERATING REVENUES			
Charges for sales and/or services	\$157,009	\$0	\$157,009
Miscellaneous	<u>49,831</u>	<u>0</u>	<u>49,831</u>
Total Operating Revenues	206,840	0	206,840
OPERATING EXPENSES			
Insurance	<u>324,936</u>	<u>0</u>	<u>324,936</u>
OPERATING INCOME (LOSS)	(118,096)	0	(118,096)
NON-OPERATING REVENUES (EXPENSES)			
Interest	17,698	4,286	21,984
Net increase (decrease) in fair value of investments	<u>4,613</u>	<u>1,117</u>	<u>5,730</u>
Total Non-Operating Revenues (Expenses)	<u>22,311</u>	<u>5,403</u>	<u>27,714</u>
CHANGE IN NET ASSETS	(95,785)	5,403	(90,382)
NET ASSETS - BEGINNING OF YEAR	<u>834,241</u>	<u>150,496</u>	<u>984,737</u>
NET ASSETS - END OF YEAR	<u><u>\$738,456</u></u>	<u><u>\$155,899</u></u>	<u><u>\$894,355</u></u>

COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the Year Ended December 31, 2011

	Self- Insurance	Post Employment Health Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$206,840	\$0	\$206,840
Payments to suppliers	(197,913)	(25,871)	(223,784)
Net cash provided by (used for) operating activities	8,927	(25,871)	(16,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	501,454	131,564	633,018
Purchase of investments	(503,308)	(106,902)	(610,210)
Interest received	18,070	4,602	22,672
Net cash provided by (used for) investing activities	16,216	29,264	45,480
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,143	3,393	28,536
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	68,674	16,533	85,207
CASH AND CASH EQUIVALENTS - END OF YEAR	\$93,817	\$19,926	\$113,743
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	(\$118,096)	\$0	(\$118,096)
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	129,031	(25,871)	103,160
Increase (decrease) in due to other governments	(2,008)	0	(2,008)
Net cash provided by (used for) operating activities	\$8,927	(\$25,871)	(\$16,944)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Net increase (decrease) in fair value of investments	\$4,613	\$1,117	\$5,730

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, 2011

	Balance 01/01/11	Additions	Deletions	Balance 12/31/11
ASSETS				
Cash and cash equivalents	\$90,191	\$378,304	\$334,487	\$134,008
Investments	1,154,243	718,920	608,559	1,264,604
Accrued interest	7,810	7,963	7,810	7,963
TOTAL ASSETS	\$1,252,244	\$1,105,187	\$950,856	\$1,406,575
LIABILITIES				
Accounts payable	\$54,326	\$24,754	\$54,326	\$24,754
Due to other governments	67,259	66,550	67,259	66,550
Due to Hennepin Recycling Group	1,130,659	1,013,883	829,271	1,315,271
TOTAL LIABILITIES	\$1,252,244	\$1,105,187	\$950,856	\$1,406,575

**STATISTICAL
SECTION
TAB**

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 ASSETS BY COMPONENT
(Accrual Basis of Accounting)
Last Ten Fiscal Years *
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities -									
Invested In Capital Assets,									
Net Of Related Debt	\$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
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
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	43,259,125
Total Governmental Activities Net Assets	\$60,683,683	\$65,353,178	\$68,826,419	\$72,951,939	\$74,941,742	\$77,592,177	\$80,702,578	\$79,468,091	\$82,775,058
Business-type Activities -									
Invested In Capital Assets,									
Net Of Related Debt	\$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
Restricted	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
Total Business-type Activities Net Assets	\$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
Primary Government -									
Invested In Capital Assets,									
Net Of Related Debt	\$28,915,756	\$32,539,143	\$27,259,204	\$32,295,110	\$32,562,788	\$35,097,968	\$38,252,843	\$37,960,745	\$38,660,558
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
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	54,578,925
Total Primary Government Net Assets	\$75,014,614	\$81,019,334	\$85,333,517	\$91,074,153	\$95,006,988	\$99,735,350	\$103,097,028	\$102,481,721	\$106,858,417

* Data is not available for years prior to 2003, the year in which GASB Statement No. 34 was implemented. It will be presented on a prospective basis.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
Public works	2,752,566	3,476,393	3,993,615	3,556,148	2,954,963	3,520,939	5,646,176	6,075,243	3,997,978
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
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
Interest on long-term debt	717,366	707,947	580,027	859,785	556,108	603,715	501,300	531,689	503,301
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
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
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
Storm drainage	523,584	530,620	604,916	603,584	420,085	429,906	1,019,228	501,194	600,371
Street lights	151,864	154,149	159,493	133,285	131,804	177,313	170,521	148,627	186,991
Recycling	0	0	0	0	299,587	303,729	318,487	322,072	331,918
Total Business-type Activities Expenses	4,944,090	4,426,615	4,862,841	4,690,556	4,918,801	4,989,506	6,261,345	5,388,907	5,978,846
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
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
Public safety	178,467	172,321	199,428	224,366	248,284	299,699	324,387	305,692	357,536
Public works	0	123,779	681,887	219,278	2,924	0	14,504	13,832	0
Parks and recreation	370,392	342,138	259,623	461,215	507,166	488,544	433,300	447,166	437,259
Community development	383,653	596,620	500,512	473,186	543,194	1,683,780	1,066,609	848,120	668,666
Operating Grants and Contributions	376,443	265,649	748,332	324,984	390,218	451,677	554,288	854,645	1,140,876
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	5,750,178
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	8,632,851
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
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
Storm drainage	449,321	491,664	545,923	610,537	612,811	622,182	641,031	648,338	653,009
Street lights	148,670	148,771	150,197	149,440	150,711	150,936	154,708	161,702	162,722
Recycling	0	0	0	0	336,080	315,173	330,626	324,935	334,654
Operating Grants and Contributions	63,411	70,148	330,070	123,622	226,259	191,073	153,868	171,337	375,631
Capital Grants and Contributions	0	0	0	0	0	0	0	71,385	938,060
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
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	\$15,559,416

Continued . . .

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Continued from previous page . . .									
NET (EXPENSE) REVENUE									
Governmental Activities	(\$10,021,920)	(\$6,194,030)	(\$8,123,088)	(\$6,872,198)	(\$10,982,956)	(\$9,732,414)	(\$9,653,270)	(\$13,199,959)	(\$8,844,154)
Business-type Activities	314,927	611,232	284,710	577,190	958,251	871,428	(221,421)	453,454	947,719
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>(\$7,896,435)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
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
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	1,616,291
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
Gain on disposition of capital assets	4,489	8,505	17,500	40,399	18,941	11,690	28,242	21,072	38,413
Transfers	0	(452,574)	(143,963)	(660,468)	(342,240)	(703,146)	(184,508)	70,883	140,203
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>
Business-type Activities -									
Unrestricted investment earnings	184,901	239,384	231,799	377,458	642,521	500,723	283,159	236,609	240,213
Gain on disposition of capital assets	5,645	32,035	0	0	0	2,650	5,031	0	22,000
Transfers	0	452,574	143,963	660,468	342,240	703,146	184,508	(70,883)	(140,203)
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>
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>
CHANGE IN NET ASSETS									
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)	\$3,306,967
Business-type Activities	505,473	1,335,225	660,472	1,615,116	1,943,012	2,077,947	251,277	619,180	1,069,729
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>\$4,376,696</u>

* Data is not available for years prior to 2003, the year in which GASB Statement No. 34 was implemented. It will be presented on a prospective basis.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund -										
Committed -										
Compensated absences	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$869,801
Unreserved	8,391,025	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
Unassigned	0	0	0	0	0	0	0	0	0	6,645,169
Total General Fund	\$8,391,025	\$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
All Other Governmental Funds -										
Reserved	\$7,326,839	\$7,016,134	\$5,293,639	\$5,154,628	\$4,272,234	\$5,179,882	\$4,127,667	\$5,252,033	\$5,383,786	\$0
Restricted -										
Housing and redevelopment assistance	0	0	0	0	0	0	0	0	0	2,468,311
MURL revolving fund	0	0	0	0	0	0	0	0	0	29,775
Debt service	0	0	0	0	0	0	0	0	0	3,831,273
10% lawful gambling contrib.	0	0	0	0	0	0	0	0	0	6,323
DWI-related enforcement, training, and education	0	0	0	0	0	0	0	0	0	38,188
Committed -										
Housing and redevelopment assistance	0	0	0	0	0	0	0	0	0	3,541,003
Cap. outlay - city wide	0	0	0	0	0	0	0	0	0	8,607,284
Cap. outlay - street reconstruction	0	0	0	0	0	0	0	0	0	4,028,317
Cap. outlay - replace. and renovation of city bldgs.	0	0	0	0	0	0	0	0	0	9,645,755
Cap. outlay - police dept.	0	0	0	0	0	0	0	0	0	3,184,679
Cap. outlay - fire dept.	0	0	0	0	0	0	0	0	0	629,063
Cap. outlay - street maint.	0	0	0	0	0	0	0	0	0	1,908,638
Assigned -										
Police dept. purposes	0	0	0	0	0	0	0	0	0	7,138
Park and rec. dept. purposes	0	0	0	0	0	0	0	0	0	33,275
Other purposes	0	0	0	0	0	0	0	0	0	12,275
Unreserved, reported in -										
Special revenue funds	4,938,362	5,879,121	7,075,442	4,416,604	5,238,693	4,495,551	5,127,735	4,702,340	5,158,888	0
Capital projects funds	18,013,098	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
Total All Other Governmental Funds	\$30,278,299	\$31,635,107	\$31,816,082	\$34,395,078	\$32,778,476	\$35,323,590	\$35,310,945	\$36,498,393	\$36,096,536	\$37,971,297

Note: GASB Statement No. 54 was implemented for 2011. 2011 is reported in compliance with GASB Statement No. 54 and prior years are reported as previously stated.

Table 4

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Property taxes	\$7,271,875	\$7,175,429	\$7,334,443	\$7,903,358	\$8,552,947	\$9,059,372	\$9,433,491	\$9,844,890	\$9,200,159	\$9,323,325
Special assessments	1,055,798	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
Licenses, permits and inspections	516,523	511,092	701,191	600,363	584,895	653,873	674,256	616,527	666,542	674,693
Intergovernmental	2,521,300	2,590,330	3,631,809	2,471,031	2,286,995	3,453,291	2,562,007	2,553,124	3,043,371	3,944,380
Charges for sales and/or services	419,131	384,536	339,325	312,645	535,311	585,665	1,849,086	1,085,841	769,153	759,262
Administrative services provided to other funds	0	0	0	0	0	251,426	280,226	303,159	273,653	294,594
Fines and forfeitures	126,396	124,143	158,237	148,644	168,838	175,386	269,345	404,871	426,922	353,125
Interest	2,024,020	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
Net increase (decrease) in fair value of investments	653,371	(663,170)	(215,213)	(422,724)	(146,258)	547,542	37,747	(202,228)	84,828	206,953
Miscellaneous	617,623	155,307	287,364	900,148	451,991	253,485	287,955	1,036,102	484,731	379,636
Total Revenues	15,206,037	12,831,500	15,977,409	15,393,157	16,542,875	18,296,766	19,231,815	19,841,946	17,965,146	19,455,540
EXPENDITURES										
Current -										
General government	1,958,629	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
Public safety	3,628,781	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
Public works	814,038	855,123	843,200	896,946	922,469	1,016,856	1,070,172	1,169,753	1,912,121	1,450,552
Parks and recreation	1,565,970	1,638,403	1,580,343	1,915,601	1,698,184	1,849,827	1,946,874	1,919,783	1,946,995	1,955,070
Community development	756,412	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
Capital outlay	3,511,980	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
Debt service -										
Principal	2,032,863	1,636,127	2,601,378	1,484,191	2,248,238	1,641,041	2,464,034	1,118,889	1,599,619	1,810,083
Interest and other fees	796,699	686,282	703,730	596,145	817,560	562,842	608,505	507,246	549,775	529,299
Total Expenditures	15,065,372	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
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	140,665	(224,156)	(1,794,690)	(2,659,179)	(5,135,808)	2,450,281	(2,807,024)	(2,704,027)	(1,325,077)	(92,978)
OTHER FINANCING SOURCES (USES)										
Issuance of bonds	0	0	1,991,000	3,835,000	1,855,000	0	2,190,000	4,564,778	1,000,222	1,705,000
Issuance of refunding bonds	0	0	464,000	0	0	0	0	0	1,204,778	0
Issuance of certificates of indebtedness	0	545,000	0	0	0	0	0	0	0	0
Issuance of notes payable	0	144,831	0	0	0	0	0	0	58,501	0
Payment to refunded bond escrow agent	0	0	(995,000)	(940,000)	0	0	0	0	0	0
Refunded bonds redeemed	0	0	0	0	0	0	0	0	(1,204,778)	0
Proceeds from sale of property and equipment	1,321,322	607,437	890,454	452,999	1,745,991	336,571	18,716	28,592	32,158	41,314
Discount on debt issued	0	(1,820)	(14,100)	(23,270)	(10,516)	0	(1,069)	(43,680)	0	(17,391)
Transfers in	2,975,262	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
Transfers out	(2,975,262)	(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)
Total Other Financing Sources (Uses)	1,321,322	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
NET CHANGE IN FUND BALANCES	\$1,461,987	\$1,071,292	\$541,664	\$665,550	(\$1,515,333)	\$2,737,143	(\$145,451)	\$1,879,626	(\$193,696)	\$1,776,148
Debt service as a percentage of noncapital expenditures	21%	18%	24%	15%	20%	15%	17%	9%	13%	14%

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	Apartments	Commercial Industrial					
2002	\$855,288,100	\$87,712,800	\$121,450,000	\$11,386,100	\$1,075,837,000	44.538	\$1,165,874,900	92.28%
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%

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								
2002	43.364	1.174	0.000	44.538	30.213	50.409	7.386	132.546	0.000	0.216	132.762
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

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	2011			2002		
		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	2.01%	\$239,250	3	1.77%
Lanel Financial Group	Apartments	362,301	2	1.87%	252,990	2	1.87%
Crystal Village Apartments, LLC	Apartments	218,739	3	1.13%	313,305	1	2.32%
Target Corporation	Department Store	188,250	4	0.97%	117,250	7	0.87%
SuperValu, Inc.	Grocery Store	161,250	5	0.83%	143,550	4	1.06%
Crystal Gallery Developers	Shopping Center	132,250	6	0.68%	125,470	5	0.93%
Smith-Sturm Investment Co.	Apartments	130,888	7	0.68%	123,240	6	0.91%
Winpark One Two LLC	Industrial	126,250	8	0.65%	N/A		
Bass Lake Road Retail Assoc., LLP	Apartments	109,770	9	0.57%	110,390	8	0.82%
Industrial Equities Group, LLC	Office/Warehouse	99,250	10	0.51%	N/A		
Glenborough Properties, LP	Office/Warehouse	N/A			78,970	10	0.58%
HNN General Partnership	Apartments	N/A			89,040	9	0.66%
		<u>\$1,918,198</u>		<u>9.90%</u>	<u>\$1,593,455</u>		<u>11.79%</u>
	Total City of Crystal Tax Capacity	<u>\$19,379,600</u>			<u>\$13,501,914</u>		

* The Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the 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		Delinquent Taxes as a % of Tax Levy
						Outstanding Delinquent Taxes	Collections as a % of Tax Levy	
2002	\$5,117,756	\$5,052,080	98.72%	\$30,854	\$5,082,934	\$85,289	99.32%	1.67%
2003	5,121,563	5,078,457	99.16%	38,095	5,116,552	90,712	99.90%	1.77%
2004	5,807,190	5,740,509	98.85%	48,691	5,789,200	102,254	99.69%	1.76%
2005	6,549,526	6,428,986	98.16%	95,865	6,524,851	152,559	99.62%	2.33%
2006	7,016,240	6,879,114	98.05%	129,779	7,008,893	183,598	99.90%	2.62%
2007	7,382,712	7,223,391	97.84%	127,872	7,351,263	230,230	99.57%	3.12%
2008	7,612,282	7,448,064	97.84%	103,448	7,551,512	260,328	99.20%	3.42%
2009	7,937,517	7,787,343	98.11%	150,174	7,937,517	242,825	100.00%	3.06%
2010	8,849,440	8,675,169	98.03%	104,718	8,779,887	308,020	99.21%	3.48%
2011	8,900,044	8,780,526	98.66%	119,518	8,900,044	290,897	100.00%	3.27%

Source: City of Crystal Finance Department records

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxable market value - amounts expressed in thousands	\$1,075,837	\$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
Debt limit (3% of taxable market value)	\$32,275,000	\$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
Less debt applicable to debt limit:										
Total bonded debt	11,760,000	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
Deductions -										
Tax increment bonds	5,580,000	4,810,000	4,030,000	3,205,000	2,330,000	1,485,000	665,000	260,000	0	0
Special assessment bonds	6,180,000	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
	11,760,000	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
Total debt applicable to debt limit	0	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
Legal debt margin	\$32,275,000	\$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
Total debt applicable to the debt limit as a percentage of the debt limit	0.0%	1.5%	1.4%	6.3%	4.9%	4.1%	3.5%	5.6%	6.8%	5.4%

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						
2002	\$0	\$5,580,000	\$6,180,000	\$33,522	\$0	\$11,793,522	1.10%	1.16%	\$518	
2003	545,000	4,810,000	5,515,000	121,296	0	10,991,296	0.93%	1.04%	481	
2004	545,000	4,030,000	5,305,000	64,239	0	9,944,239	0.75%	0.90%	432	
2005	2,810,000	3,205,000	5,395,000	7,182	0	11,417,182	0.76%	1.01%	500	
2006	2,500,000	2,330,000	6,265,000	0	0	11,095,000	0.66%	0.93%	491	
2007	2,235,000	1,485,000	5,795,000	0	0	9,515,000	0.53%	0.77%	427	
2008	1,965,000	665,000	6,675,000	0	0	9,305,000	0.50%	0.74%	420	
2009	3,039,778	260,000	9,525,000	0	0	12,824,778	0.71%	1.08%	579	
2010	3,395,891	0	8,915,000	46,100	0	12,356,991	0.75%	1.03%	561	
2011	2,402,995	0	9,880,000	46,100	0	12,329,095	0.83%	1.01%	557	

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

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				
2002	\$0	\$0	\$0	\$0	0.00%	\$0.00
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

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, 2011
 (unaudited)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To Government *	Amount Applicable To Government
Direct -			
City of Crystal	\$2,120,539	100.00%	\$2,120,539
Overlapping -			
Robbinsdale ISD #281	194,251,878	18.19%	35,334,417
Hennepin County	723,889,101	1.06%	7,673,224
Hennepin Suburban Park District	64,252,898	1.43%	918,816
Hennepin Regional RR Authority	40,128,161	1.06%	425,359
Metropolitan Council / Transit	142,956,525	0.46%	657,600
	<u>1,165,478,563</u>		<u>45,009,416</u>
Total	<u>\$1,167,599,102</u>		<u>\$47,129,955</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	Population	Per Capita Personal Income	Total City Personal Income	District-Wide School Enrollment	Unemployment Rate
2002	22,840	\$44,440	\$1,015,009,600	13,543	5.7%
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	22,151	54,949	1,217,175,299	11,734	8.2%

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	2011			2002		
	Number Of Employees	Rank	Percentage Of Total City Employment	Number Of Employees	Rank	Percentage Of Total City Employment
VOA - Crystal Care Center	218	1	5.65%	200	3	3.61%
Target	182	2	4.72%	200	2	3.61%
Cub Foods	173	3	4.48%	200	4	3.61%
City of Crystal	101	4	2.62%	98	6	1.77%
RFG Distributing	100	5	2.59%			
Kilmer Electric Co., Inc.	70	6	1.81%			
Almsted's Crystal Super Value	70	7	1.81%	70	8	1.26%
Metropolitan Transportation Network Inc.	65	8	1.68%			
Buffalo Wild Wings	60	9	1.55%			
Perkins	46	10	1.19%			
Timesavers, Inc.				250	1	4.51%
Qwest (now CenturyLink)				115	5	2.07%
Featherlite Exhibits				90	7	1.62%
Thrift-Way Supermarket				65	9	1.17%
Casting Technology				40	10	0.72%
Estimated Total Employment	<u>1,085</u>		<u>28.10%</u>	<u>1,328</u>		<u>23.95%</u>
			<u>3,859</u>			<u>5,544</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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	11	10	11	11	12	12	12	12	11	11
Public Safety -										
Police -										
Officers	27	27	25	27	27	27	29	29	28	30
Civilians	9	9	6	6	6	7	8	7	6	8
Public Works -										
Engineering	3	3	3	3	3	3	3	3	3	3
Maintenance	10	9	9	9	9	9	9	9	8	7
Parks and Recreation -										
Park maintenance	7	6	5	5	6	6	6	6	6	6
Recreation	6	6	5	4	5	5	5	5	5	5
Community Development	7	7	7	7	7	7	7	7	7	7
Utilities -										
Water / Sanitary Sewer / Storm Drainage	7	7	8	8	8	8	8	8	9	9
	<u>87</u>	<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>

Source: City of Crystal Finance Department records

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government -										
Administration -										
Employee recruitments	*	*	*	*	*	15	13	15	10	16
Licenses issued	780	896	968	1,006	945	952	1,018	1,110	1,238	1,249
Public Safety -										
Police -										
Calls for service	28,698	26,517	25,716	25,833	29,047	24,427	29,395	30,007	30,681	32,464
Citations issued	*	*	*	*	*	2,843	4,651	5,548	5,369	6,199
Criminal cases investigated	*	*	*	*	1,220	1,090	1,848	1,490	1,426	1,261
Total arrests	1,190	1,090	1,026	1,066	1,014	1,050	1,158	1,265	1,081	1,184
Animal control incidents	704	761	780	694	921	932	783	709	334	501
Dog licenses issued	*	*	*	*	*	476	455	350	344	315
Fire (West Metro Fire-Rescue District)										
Calls for service	*	*	*	*	*	1,052	977	1,346	1,451	1,641
Inspections/re-inspections, plan reviews and consultations	*	*	*	*	*	821	792	768	796	899
Public Works -										
Miles of streets sealcoated	5	0	12	0	0	4	0	4	5	12
Miles of streets reconstructed -	0	0	6	4	5	0	5	7	0	4
Phase of 16-phase street project >			Phase 6	Phase 7	Phase 8		Phase 9	Phase 10		Phase 11
Parks and Recreation -										
Recreation program participants	*	*	*	*	*	8,195	8,377	8,375	8,459	9,301
No. of teams in team sports	*	*	*	*	*	121	129	155	172	195
No. of participants in special events	*	*	*	*	*	3,000	2,548	3,822	4,040	4,647
Park facility permits	*	*	*	*	*	262	166	162	228	208
Community Center permits	*	*	*	*	*	746	768	672	659	600
Pool attendance	*	*	*	*	*	43,345	43,658	33,413	35,681	33,220
Community Development -										
Permit inspections	*	*	*	*	*	2,542	3,230	3,065	2,664	2,331
Code enforcement incidents	*	*	*	*	*	1,287	1,301	1,604	1,434	1,378
Rental housing - no. of licensed units	*	*	*	*	*	1,901	2,394	2,343	2,431	2,457
Point of sale inspections/re-inspections	*	*	*	*	*	665	664	726	416	424
Planning Commission applications	*	*	*	*	*	15	18	19	8	18
Utilities -										
Water system -										
Average residential consumption (million gallons / day)	1.50 Mg/d	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

* 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	92
Parks and Recreation -										
Recreation -										
Number of park acres	243	243	243	243	243	243	243	243	243	243
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	16	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	0	1	1	1	1	1	1	1	1	2
Number of skateboard parks	0	0	0	0	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	7783	7,791	7,796	7,872	7,898	7,861	7,868	7,864	7,885	7,888
Number of fire hydrants	817	808	808	808	808	808	808	808	809	819
Sewer system -										
Miles of sanitary sewer	87	87	87	87	87	87	87	87	87	87
Number of service connections	7,790	7,828	7,820	7,820	7,820	7,892	7,913	7,912	7,910	7,911
Number of lift stations	7	7	7	7	7	7	7	7	7	7
Storm drainage system -										
Miles of storm sewer	50	50	50	54	56	57	57	59	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