

**CITY OF CRYSTAL RIVER  
CRYSTAL RIVER, FLORIDA**

**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

To the City Council,  
City of Crystal River, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Crystal River, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Crystal River, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida as of September 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the capital improvements fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2012 on our consideration of the City of Crystal River, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crystal River, Florida's financial statements as a whole. The other supplementary information and other information identified in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*William McHain, Walter* (C.A. P.A.)

Inverness, Florida  
June 5, 2012

**CITY OF CRYSTAL RIVER, FLORIDA  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

As management of the City of Crystal River, Florida, we offer readers of the City of Crystal River, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Crystal River, Florida for the fiscal year ended September 30, 2011.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Crystal River's basic financial statements. The City's basic financial statements comprise 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 of Crystal River, Florida's finances, in a manner similar to a 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 Crystal River is improving or deteriorating.

The *statement of activities* presents information showing how the government'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).

Both of the government-wide financial statements distinguish functions of the City of Crystal River, Florida 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, highways and streets, developmental services, and culture and recreation. The business-type activities of the City include water, sewer and sanitation operation.

The government-wide financial statements can be found on pages 11 - 12 of this report.

**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 of Crystal River, 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 two categories: governmental funds and proprietary 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 on *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.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2011**  
(Continued)

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 of Crystal River maintains two 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 fund and the capital improvement fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Crystal River adopts an annual appropriated budget for its general fund and capital improvement fund. Budgetary comparison statements have been provided for the general fund and capital improvement fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13 -18 of this report.

**Proprietary funds.** The City of Crystal River maintains 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, sewer and sanitation operations.

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, sewer, and sanitation operation, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 19 - 22 of this report.

**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. The notes to the financial statements can be found on pages 23 - 42 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 50-53 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Crystal River, Florida, assets exceeded liabilities by \$24,321,663 at the close of the most recent fiscal year.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2011**  
(Continued)

By far the largest portion of the City of Crystal River's net assets, 60 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although 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.

City of Crystal River, Florida's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,380,442	\$ 6,808,890	\$ 6,329,394	\$ 5,281,844	\$ 13,709,836	\$ 12,090,734
Capital assets	6,525,450	6,588,012	17,185,386	15,958,098	23,710,836	22,546,110
Total assets	<u>\$ 13,905,892</u>	<u>\$ 13,396,902</u>	<u>\$ 23,514,780</u>	<u>\$ 21,239,942</u>	<u>\$ 37,420,672</u>	<u>\$ 34,636,844</u>
Long-term liabilities						
outstanding	\$ 46,954	\$ 41,474	\$ 6,085,630	\$ 6,355,851	\$ 6,132,584	\$ 6,397,325
Other liabilities	138,711	111,698	1,135,533	228,820	1,274,244	340,518
Total liabilities	<u>185,665</u>	<u>153,172</u>	<u>7,221,163</u>	<u>6,584,671</u>	<u>7,406,828</u>	<u>6,737,843</u>
Net assets						
Invested in capital						
assets, net of related						
debt	6,525,450	6,588,012	11,099,756	9,602,247	17,625,206	16,190,259
Restricted	2,650,271	1,896,852	2,773,466	1,435,913	5,423,737	3,332,765
Unrestricted	4,544,506	4,758,866	2,420,395	3,617,111	6,964,901	8,375,977
Total net assets	<u>\$ 13,720,227</u>	<u>\$ 13,243,730</u>	<u>\$ 16,293,617</u>	<u>\$ 14,655,271</u>	<u>\$ 30,013,844</u>	<u>\$ 27,899,001</u>

An additional portion of the City's net assets (14.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining \$6,964,901 balance of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Crystal River is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities increased the City of Crystal River's net assets by \$476,497.

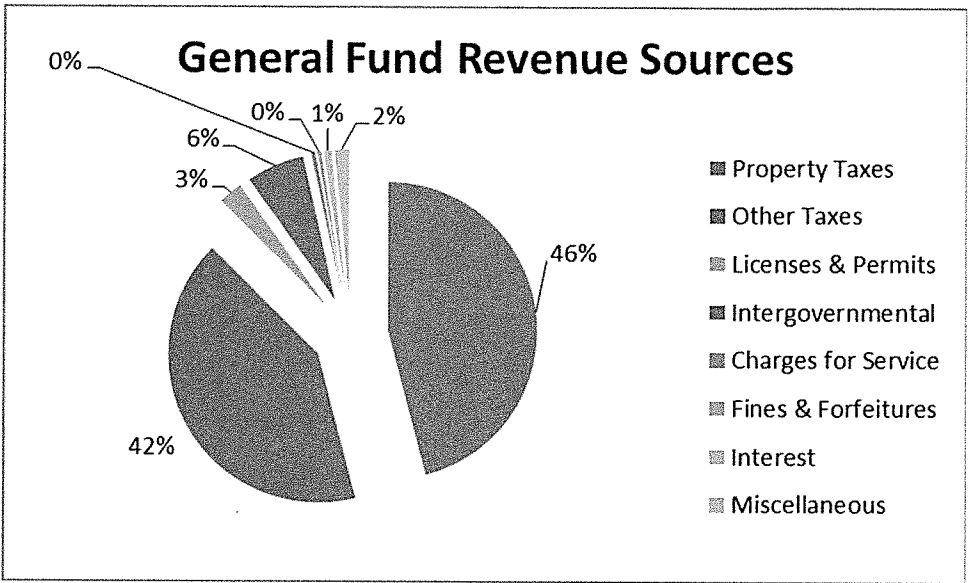


**CITY OF CRYSTAL RIVER, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2011**  
(Continued)

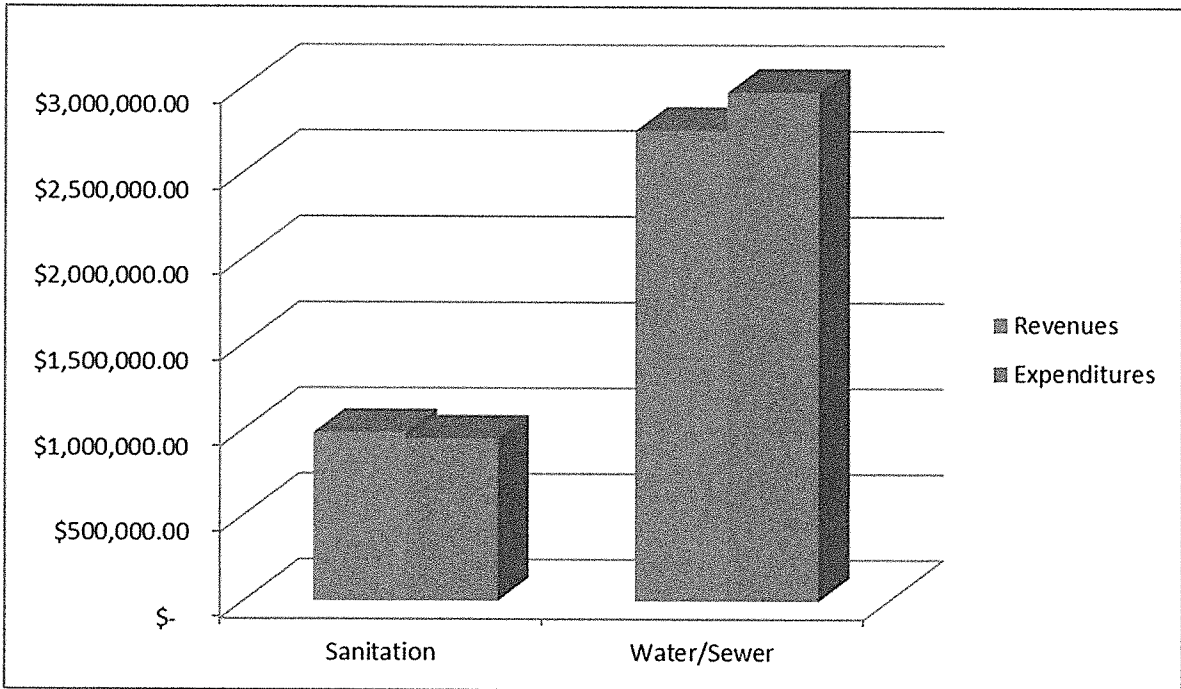
City of Crystal River, Florida's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 305,683	\$ 364,838	\$ 3,566,035	\$ 3,635,046	\$ 3,871,718	\$ 3,999,884
Operating grants and contributions	370,301	189,032	-	-	370,301	189,032
Capital grants and contributions	-	-	1,398,793	9,820	1,398,793	9,820
General revenues:						
Property taxes	1,735,175	1,751,300	-	-	1,735,175	1,751,300
Other taxes	1,815,273	1,881,016	-	-	1,815,273	1,881,016
Other	55,372	141,302	40,335	105,568	95,707	246,870
<b>Total revenues</b>	<b>4,281,804</b>	<b>4,327,488</b>	<b>5,005,163</b>	<b>3,750,434</b>	<b>9,286,967</b>	<b>8,077,922</b>
Expenses:						
General government	1,238,840	1,237,129	-	-	1,238,840	1,237,129
Public safety	1,336,067	1,261,396	-	-	1,336,067	1,261,396
Highways and streets	881,869	851,192	-	-	881,869	851,192
Developmental services	239,741	243,468	-	-	239,741	243,468
Culture and recreation	176,475	169,758	-	-	176,475	169,758
Water and sewer	-	-	2,365,276	2,307,714	2,365,276	2,307,714
Sanitation	-	-	948,856	943,601	948,856	943,601
<b>Total expenses</b>	<b>3,872,992</b>	<b>3,762,943</b>	<b>3,314,132</b>	<b>3,251,315</b>	<b>7,187,124</b>	<b>7,014,258</b>
Increase in net assets before transfers	408,812	564,545	1,691,031	499,119	2,099,843	1,063,664
Transfers	67,685	66,835	(52,685)	(51,835)	15,000	15,000
Increase in net assets	476,497	631,380	1,638,346	447,284	2,114,843	1,078,664
Net assets, beginning of year	13,243,730	12,612,350	14,655,271	14,207,987	27,899,001	26,820,337
<b>Net assets, end of year</b>	<b>\$ 13,720,227</b>	<b>\$ 13,243,730</b>	<b>\$ 16,293,617</b>	<b>\$ 14,655,271</b>	<b>\$ 30,013,844</b>	<b>\$ 27,899,001</b>

**CITY OF CRYSTAL RIVER, FLORIDA  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2011  
 (Continued)**



**Business-type activities.** Business-type activities decreased the City of Crystal River’s net assets by \$188,735.



**CITY OF CRYSTAL RIVER, FLORIDA  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011  
(Continued)**

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Crystal River uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Crystal River's governmental funds reported combined ending fund balances of \$7,241,731 an increase of \$544,539 in comparison with the prior year. Of the total, \$3,674,704 or 51%, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved or designated* to indicate that it is not available for new spending because it has been primarily committed to fund capital projects.

The general fund is the chief operating fund of the City of Crystal River. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3,674,704, while total fund balance reached \$4,635,369. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 106% of total general fund expenditures, while total fund balance represents 134% of that same amount.

The fund balance of the City's general fund decreased by \$231,390 during the current fiscal year, as shown on page 15. This was due to lower revenues in the areas of Utility Taxes and Franchise Taxes, as well as lower than anticipated interest receipts.

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

The water and sewer fund shows expenditures exceeding revenues for the year. Included in the water and sewer fund expenditures are those charges that were incurred for the Disadvantaged Small Communities Grant in areas 112/113. Expenditures were paid in FY 2011, but reimbursement through the Grant from DEP was not received until FY 2012.

**Capital Improvements Fund Budgetary Highlights**

During the year there was no increase between the original budget and the final amended budget. Modifications to Cutler Spur have been planned for some time. This project was postponed in order to receive funding from the Florida Department of Transportation. Work will begin during FY2012. Funding for this project will be coming in the form of reimbursements from FDOT when the work is completed.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2011**  
(Continued)

**Capital Asset and Debt Administration**

Outstanding Water & Sewer Bonds issued in 1966 and 1978 matured as of September 1, 2006.

**Capital assets.** The City of Crystal River's investment in capital assets for its governmental and business type activities as of September 30, 2011, amounts to \$23,710,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities and roads. The total increase in the City's investment in capital assets for the current fiscal year was 3% (a 1% decrease for governmental activities and a 5% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- We added \$1,372,407 of Construction in Progress in the Water and Sewer Fund, primarily due to the construction that is ongoing in areas 112/113, 114, and Harbor Isle.
- Depreciation of assets in the Governmental portion of this activity exceeded the amount of additions.

**City of Crystal River, Florida's Capital Assets**  
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,897,040	\$ 1,897,040	\$ 616,898	\$ 616,898	\$ 2,513,938	\$ 2,513,938
Buildings & improvements	1,438,867	1,530,602	12,147,100	11,879,273	13,585,967	13,409,875
Vehicles & equipment	67,714	45,587	1,548,605	1,961,551	1,616,319	2,007,138
Infrastructure	2,855,753	2,824,576	-	-	2,855,753	2,824,576
Construction in progress	266,076	290,207	2,872,783	1,500,376	3,138,859	1,790,583
<b>Total</b>	<b>\$ 6,525,450</b>	<b>\$ 6,588,012</b>	<b>\$ 17,185,386</b>	<b>\$ 15,958,098</b>	<b>\$ 23,710,836</b>	<b>\$ 22,546,110</b>

Additional information on the City of Crystal River's capital assets can be found in Note 4-C on pages 32-34 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Crystal River had total bonded debt outstanding of \$5,501,039. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Crystal River, Florida's Outstanding Debt**  
Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds (less deferred refunding costs)	-	-	\$ 5,501,039	\$5,771,260	\$5,501,039	\$5,771,260
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,501,039</b>	<b>\$5,771,260</b>	<b>\$5,501,039</b>	<b>\$5,771,260</b>

Additional information on the City of Crystal River's long-term debt can be found in Note 4-E on pages 36 - 38 of this report.

**CITY OF CRYSTAL RIVER, FLORIDA  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011  
(Continued)**

Economic Factors

- ➔ No rate increases for water usage and sewer usage were implemented in FY 2011.
- ➔ Health care insurance premiums increased by 7.9% for FY 2011.
- ➔ Interest rates have fallen significantly on money placed on deposit with SBA and local bank accounts. The City maintains \$4,303,423 in short-term CD's in order to earn a slightly higher rate of interest on funds.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Crystal River, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Andrew Houston, City Manager, 123 NW Highway 19, Crystal River, Florida 34428.

CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNIT COMMUNITY REDEVELOPMENT
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,022,173	\$ 354,666	\$ 3,376,839	\$ 730,765
Certificates of deposit	2,071,045	2,232,378	4,303,423	-
Investments	1,977,702	68,126	2,045,828	13,587
Receivables ( net )	218,957	654,287	873,244	-
Due from other governments	-	1,357,504	1,357,504	-
Other assets	72,756	7,233	79,989	4,026
Internal balances	17,809	(15,490)	2,319	(2,319)
Restricted assets:				
Cash and cash equivalents	-	136,230	136,230	-
Investments and certificates of deposit	-	1,415,962	1,415,962	-
Unamortized bond issuance costs	-	118,498	118,498	-
Fixed assets, net of accumulated depreciation	6,525,450	17,185,386	23,710,836	1,249,954
<b>TOTAL ASSETS</b>	<b>\$ 13,905,892</b>	<b>\$ 23,514,780</b>	<b>\$ 37,420,672</b>	<b>\$ 1,996,013</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 138,661	\$ 1,000,578	\$ 1,139,239	\$ 140,683
Customer deposits	-	134,955	134,955	-
Due to other governments	50	-	50	-
Noncurrent liabilities:				
Due within one year	24,000	-	24,000	-
Due in more than one year	22,954	6,085,630	6,108,584	-
<b>TOTAL LIABILITIES</b>	<b>185,665</b>	<b>7,221,163</b>	<b>7,406,828</b>	<b>140,683</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	6,525,450	11,099,756	17,625,206	-
Restricted for:				
Capital projects	2,592,114	2,163,832	4,755,946	-
Debt service	-	609,634	609,634	-
Other purposes	58,157	-	58,157	-
Unrestricted	4,544,506	2,420,395	6,964,901	1,855,330
<b>TOTAL NET ASSETS</b>	<b>\$ 13,720,227</b>	<b>\$ 16,293,617</b>	<b>\$ 30,013,844</b>	<b>\$ 1,855,330</b>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNIT COMMUNITY REDEVELOPMENT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
<b>Primary government:</b>								
Governmental activities								
General government	\$ 1,238,840	\$ 66,116	\$ 370,301	\$ -	\$ (802,423)	\$ -	\$ (802,423)	\$ -
Public safety	1,336,067	18,487	-	-	(1,317,580)	-	(1,317,580)	-
Highways and streets	881,869	158,310	-	-	(723,559)	-	(723,559)	-
Developmental services	239,741	62,170	-	-	(177,571)	-	(177,571)	-
Culture and recreation	176,475	600	-	-	(175,875)	-	(175,875)	-
Total governmental activities	<u>3,872,992</u>	<u>305,683</u>	<u>370,301</u>	<u>-</u>	<u>(3,197,008)</u>	<u>-</u>	<u>(3,197,008)</u>	<u>-</u>
<b>Business-Type Activities:</b>								
Water and sewer	2,365,276	2,664,554	-	1,398,793	-	1,698,071	1,698,071	-
Sanitation	948,856	901,481	-	-	-	(47,375)	(47,375)	-
Total business-type activities	<u>3,314,132</u>	<u>3,566,035</u>	<u>-</u>	<u>1,398,793</u>	<u>-</u>	<u>1,650,696</u>	<u>1,650,696</u>	<u>-</u>
Total primary government	<u>\$ 7,187,124</u>	<u>\$ 3,871,718</u>	<u>\$ 370,301</u>	<u>\$ 1,398,793</u>	<u>\$ (3,197,008)</u>	<u>\$ 1,650,696</u>	<u>\$ (1,546,312)</u>	<u>\$ -</u>
<b>Component unit:</b>								
Community redevelopment	<u>\$ 166,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (166,677)</u>
<b>General Revenues</b>								
<b>Taxes:</b>								
Property taxes					1,735,175	-	1,735,175	443,955
Sales and fuel taxes					419,491	-	419,491	-
Franchise taxes					617,823	-	617,823	-
Utility service taxes					777,959	-	777,959	-
Unrestricted investment earnings					39,104	29,039	68,143	5,452
Unrealized gain/loss on investments					16,268	11,296	27,564	2,259
Transfers					67,685	(52,685)	15,000	(15,000)
Total General Revenues and Transfers					<u>3,673,505</u>	<u>(12,350)</u>	<u>3,661,155</u>	<u>436,666</u>
Change in Net Assets					476,497	1,638,346	2,114,843	269,989
<b>Net assets, beginning of year</b>					<u>13,243,730</u>	<u>14,655,271</u>	<u>27,899,001</u>	<u>1,585,341</u>
<b>Net assets, end of year</b>					<u>\$ 13,720,227</u>	<u>\$ 16,293,617</u>	<u>\$ 30,013,844</u>	<u>\$ 1,855,330</u>

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

CITY OF CRYSTAL RIVER, FLORIDA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENTS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,370,216	\$ 637,709	\$ 14,248	\$ 3,022,173
Certificates of deposit	2,071,045	-	-	2,071,045
Investments	85,860	1,891,842	-	1,977,702
Accounts receivable	144,914	74,043	-	218,957
Other assets	72,756	-	-	72,756
Due from other funds	-	76,315	-	76,315
<b>TOTAL ASSETS</b>	<b><u>\$ 4,744,791</u></b>	<b><u>\$ 2,679,909</u></b>	<b><u>\$ 14,248</u></b>	<b><u>\$ 7,438,948</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 50,866	\$ 87,795	\$ -	\$ 138,661
Due to other funds	58,506	-	-	58,506
Due to other governments	50	-	-	50
<b>Total Liabilities</b>	<b><u>109,422</u></b>	<b><u>87,795</u></b>	<b><u>-</u></b>	<b><u>197,217</u></b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepays	72,756	-	-	72,756
<b>Restricted for:</b>				
Public safety	-	-	14,248	14,248
Capital improvements	-	2,592,114	-	2,592,114
Cemetery	43,909	-	-	43,909
<b>Committed to:</b>				
Capital improvements	844,000	-	-	844,000
Unassigned	3,674,704	-	-	3,674,704
<b>Total fund balances</b>	<b><u>4,635,369</u></b>	<b><u>2,592,114</u></b>	<b><u>14,248</u></b>	<b><u>7,241,731</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,744,791</u></b>	<b><u>\$ 2,679,909</u></b>	<b><u>\$ 14,248</u></b>	<b><u>\$ 7,438,948</u></b>

The accompanying notes to the financial statements are an integral part of these statements.



CITY OF CRYSTAL RIVER, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the statement of net assets (page 11) are different because:

Total fund balance of governmental funds (page 13)	\$ 7,241,731
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,525,450
Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported as fund liabilities.	<u>(46,954)</u>
Net assets of governmental activities (page 11)	<u><u>\$ 13,720,227</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 3,308,089	\$ 242,360	\$ -	\$ 3,550,449
Licenses and permits	99,876	-	-	99,876
Intergovernmental	237,214	130,582	-	367,796
Charges for services	20,192	-	-	20,192
Fines and forfeitures	18,956	-	-	18,956
Impact fees	-	122,014	625	122,639
Interest	35,165	3,915	24	39,104
Miscellaneous	60,770	2,022	-	62,792
Total revenues	<u>3,780,262</u>	<u>500,893</u>	<u>649</u>	<u>4,281,804</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,178,381	-	-	1,178,381
Public safety	1,323,376	-	200	1,323,576
Highways and streets	568,266	-	-	568,266
Developmental services	228,907	-	-	228,907
Culture and recreation	152,031	-	-	152,031
Capital outlay:				
General government	-	14,358	-	14,358
Highways and streets	-	339,431	-	339,431
Total expenditures	<u>3,450,961</u>	<u>353,789</u>	<u>200</u>	<u>3,804,950</u>
<b>Excess of revenues over expenditures</b>	<u>329,301</u>	<u>147,104</u>	<u>449</u>	<u>476,854</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	172,295	628,376	-	800,671
Transfers out	(732,986)	-	-	(732,986)
Total other financing sources (uses )	<u>(560,691)</u>	<u>628,376</u>	<u>-</u>	<u>67,685</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses</b>	<u>(231,390)</u>	<u>775,480</u>	<u>449</u>	<u>544,539</u>
<b>Fund balances, beginning of year</b>	4,866,759	1,816,634	13,799	6,697,192
<b>Fund balances, end of year</b>	<u>\$ 4,635,369</u>	<u>\$ 2,592,114</u>	<u>\$ 14,248</u>	<u>\$ 7,241,731</u>

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

CITY OF CRYSTAL RIVER, FLORIDA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities (page 12)  
 are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 544,539
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 depreciation exceeded capital outlays in the current period.	(62,562)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount by which compensated absences increased in the current period.	<u>(5,480)</u>
Change in net assets of governmental activities (page 12)	<u>\$ 476,497</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - GENERAL FUND BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE )
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 3,369,905	\$ 3,369,905	\$ 3,308,089	\$ (61,816)
Licenses and permits	112,354	112,354	99,876	(12,478)
Intergovernmental	184,495	231,378	237,214	5,836
Charges for services	27,200	27,200	20,192	(7,008)
Fines and forfeitures	25,600	25,600	18,956	(6,644)
Interest	54,550	54,550	35,165	(19,385)
Miscellaneous	41,565	31,881	60,770	28,889
Total revenues	<u>3,815,669</u>	<u>3,852,868</u>	<u>3,780,262</u>	<u>(72,606)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,281,031	1,324,456	1,178,381	146,075
Public safety	1,411,149	1,461,427	1,323,376	138,051
Highways and streets	599,607	626,107	568,266	57,841
Developmental services	195,532	274,014	228,907	45,107
Culture and recreation	201,428	201,428	152,031	49,397
Total Expenditures	<u>3,688,747</u>	<u>3,887,432</u>	<u>3,450,961</u>	<u>436,471</u>
<b>Excess of revenues over (under) expenditures</b>	126,922	(34,564)	329,301	363,865
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	177,688	177,688	172,295	(5,393)
Transfers out	(642,610)	(642,610)	(732,986)	(90,376)
Total other financing sources (uses )	<u>(464,922)</u>	<u>(464,922)</u>	<u>(560,691)</u>	<u>(95,769)</u>
<b>Deficiency of revenues and other financing sources (uses) under expenditures and other uses</b>	(338,000)	(499,486)	(231,390)	268,096
<b>Fund balances, beginning of year</b>	4,866,759	4,866,759	4,866,759	-
<b>Fund balances, end of year</b>	<u>\$ 4,528,759</u>	<u>\$ 4,367,273</u>	<u>\$ 4,635,369</u>	<u>\$ 268,096</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - CAPITAL IMPROVEMENT FUND BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Taxes	\$ 249,356	\$ 249,356	\$ 242,360	\$ (6,996)
Intergovernmental	-	-	130,582	130,582
Impact fees	-	-	122,014	122,014
Interest	29,000	29,000	3,915	(25,085)
Miscellaneous	40,000	40,000	2,022	(37,978)
Total revenues	<u>318,356</u>	<u>318,356</u>	<u>500,893</u>	<u>182,537</u>
<b>EXPENDITURES:</b>				
Capital outlay:				
General government	33,975	33,975	14,358	19,617
Highways and streets	1,210,000	1,210,000	339,431	870,569
Total Expenditures	<u>1,243,975</u>	<u>1,243,975</u>	<u>353,789</u>	<u>890,186</u>
<b>Deficiency of revenues under expenditures</b>	<u>(925,619)</u>	<u>(925,619)</u>	<u>147,104</u>	<u>1,072,723</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	660,000	660,000	628,376	(31,624)
Total other financing sources	<u>660,000</u>	<u>660,000</u>	<u>628,376</u>	<u>(31,624)</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures</b>	<u>(265,619)</u>	<u>(265,619)</u>	<u>775,480</u>	<u>1,041,099</u>
<b>Fund balances, beginning of year</b>	<u>1,816,634</u>	<u>1,816,634</u>	<u>1,816,634</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,551,015</u>	<u>\$ 1,551,015</u>	<u>\$ 2,592,114</u>	<u>\$ 1,041,099</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER AND SEWER</b>	<b>SANITATION</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 211,447	\$ 143,219	\$ 354,666
Certificates of deposit	2,232,378	-	2,232,378
Investments	67,517	609	68,126
Accounts receivable (net of allowance for uncollectible accounts)	517,702	136,585	654,287
Other assets	7,233	-	7,233
Due from other funds	-	11,295	11,295
Due from other governments	1,357,504	-	1,357,504
Total current assets	<u>4,393,781</u>	<u>291,708</u>	<u>4,685,489</u>
Noncurrent assets:			
Restricted cash and cash equivalents:			
Customer deposits	136,230	-	136,230
Restricted investments:			
Revenue bond covenant account	1,415,962	-	1,415,962
Unamortized bond issuance costs	118,498	-	118,498
Property and equipment, net of accumulated depreciation and amortization	17,185,386	-	17,185,386
Total noncurrent assets	<u>18,856,076</u>	<u>-</u>	<u>18,856,076</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,249,857</u></b>	<b><u>\$ 291,708</u></b>	<b><u>\$ 23,541,565</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 921,536	\$ 79,042	\$ 1,000,578
Customer deposits	134,955	-	134,955
Due to other funds	26,785	-	26,785
Total current liabilities	<u>1,083,276</u>	<u>79,042</u>	<u>1,162,318</u>
Noncurrent liabilities:			
Revenue bonds payable, net of deferred amount on refunding	5,501,039	-	5,501,039
State revolving loan	584,591	-	584,591
Total noncurrent liabilities	<u>6,085,630</u>	<u>-</u>	<u>6,085,630</u>
Total liabilities	<u>7,168,906</u>	<u>79,042</u>	<u>7,247,948</u>
Net Assets:			
Invested in capital assets, net of related debt	11,099,756	-	11,099,756
Restricted for:			
Capital projects	2,163,832	-	2,163,832
Debt service	609,634	-	609,634
Unrestricted	2,207,729	212,666	2,420,395
Total net assets	<u>16,080,951</u>	<u>212,666</u>	<u>16,293,617</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 23,249,857</u></b>	<b><u>\$ 291,708</u></b>	<b><u>\$ 23,541,565</u></b>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER AND SEWER</b>	<b>SANITATION</b>	<b>TOTALS</b>
<b>OPERATING REVENUES:</b>			
Pledged as security for revenue bonds			
Water service	\$ 1,293,119	\$ -	\$ 1,293,119
Sewer service	1,361,728	-	1,361,728
Sanitation service	-	900,826	900,826
Miscellaneous	9,707	655	10,362
Total operating revenues	<u>2,664,554</u>	<u>901,481</u>	<u>3,566,035</u>
<b>OPERATING EXPENSES:</b>			
Contractual services	1,387,144	948,118	2,335,262
Depreciation	645,073	-	645,073
Other	27,175	738	27,913
Total operating expenses	<u>2,059,392</u>	<u>948,856</u>	<u>3,008,248</u>
<b>Operating income (loss)</b>	605,162	(47,375)	557,787
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	28,429	610	29,039
Interest expense	(279,733)	-	(279,733)
Unrealized gain on investments	11,196	100	11,296
Amortization of bond issuance costs	(26,151)	-	(26,151)
Grant revenue	1,357,504	-	1,357,504
Total nonoperating revenues ( expenses )	<u>1,091,245</u>	<u>710</u>	<u>1,091,955</u>
<b>Income (Loss) before contributions and transfers</b>	1,696,407	(46,665)	1,649,742
<b>Capital contributions</b>	41,289	-	41,289
<b>Transfers in (out)</b>	<u>(134,350)</u>	<u>81,665</u>	<u>(52,685)</u>
<b>Change in net assets</b>	1,603,346	35,000	1,638,346
<b>Net assets, beginning of year</b>	14,477,605	177,666	14,655,271
<b>Net assets, end of year</b>	<u>\$ 16,080,951</u>	<u>\$ 212,666</u>	<u>\$ 16,293,617</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER AND SEWER</b>	<b>SANITATION</b>	<b>TOTALS</b>
<b>Cash flows from operating activities :</b>			
Cash received from customers	\$ 2,681,247	\$ 906,174	\$ 3,587,421
Cash payments to suppliers for goods and services	(462,593)	(961,327)	(1,423,920)
Net cash provided by (used in) operating activities	<u>2,218,654</u>	<u>(55,153)</u>	<u>2,163,501</u>
<b>Cash flows from noncapital financing activities :</b>			
Operating transfers to (from) other funds	(134,350)	81,665	(52,685)
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(1,871,417)	-	(1,871,417)
Principal payments on bonds	(285,000)	-	(285,000)
Interest paid on bonds	(279,733)	-	(279,733)
Capital contributions received	41,289	-	41,289
Net cash used in capital and related financing activities	<u>(2,394,861)</u>	<u>-</u>	<u>(2,394,861)</u>
<b>Cash flows from investing activities :</b>			
Net proceeds from certificates of deposit	394,093	-	394,093
Net proceeds from SBA investment pool	23,132	210	23,342
Interest received	6,901	610	7,511
Net cash provided by investing activities	<u>424,126</u>	<u>820</u>	<u>424,946</u>
<b>Net increase in cash and restricted cash</b>	113,569	27,332	140,901
<b>Cash and restricted cash, beginning of year</b>	234,108	115,887	349,995
<b>Cash and restricted cash, end of year</b>	<u>\$ 347,677</u>	<u>\$ 143,219</u>	<u>\$ 490,896</u>
<b>Classified as:</b>			
Cash	\$ 211,447	\$ 143,219	\$ 354,666
Restricted cash	136,230	-	136,230
Total	<u>\$ 347,677</u>	<u>\$ 143,219</u>	<u>\$ 490,896</u>

The accompanying notes to the financial statements are an integral part of these statements.



CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER AND SEWER</b>	<b>SANITATION</b>	<b>TOTALS</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 605,162	\$ (47,375)	\$ 557,787
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	645,073	-	645,073
Decrease in accounts receivable	15,353	4,693	20,046
Increase in due from other funds	-	(10,845)	(10,845)
Decrease in other assets	22,104	-	22,104
Increase (decrease) in accounts payable and accrued expenses and accrued expenses	905,604	(1,626)	903,978
Increase in customer deposits	1,340	-	1,340
Increase in due to other funds	24,018	-	24,018
Total Adjustments	<u>1,613,492</u>	<u>(7,778)</u>	<u>1,605,714</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 2,218,654</u>	<u>\$ (55,153)</u>	<u>\$ 2,163,501</u>
<b>Noncash investing activities:</b>			
Increase in fair value of SBA investments	\$ 11,196	\$ 100	\$ 11,296

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting entity**

The City of Crystal River, Florida (the "City") was incorporated on July 1, 1903 by Senate Bill No. 603 under Article VIII, Section 2 of the Constitution of the State of Florida.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

**Discretely presented component unit.** The financial statements of the City of Crystal River, Florida Community Redevelopment Agency (the "Agency") are included in the financial reporting entity as a discretely presented component unit. The Agency was created by City Ordinance No. 88-0-19 as authorized by Part III of Chapter 163 of the Florida State Statutes. The members of the Agency's board are appointed by the City Council. The Agency is fiscally dependent on the City and the City Council approves the Agency's annual budget.

**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 activities of the City of Crystal River, Florida and its component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. 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 identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Government-wide and fund financial statements (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. 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 is used for the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized 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.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are reported 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 reported only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement focus, basis of accounting, and financial statement presentation** (Continued)

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Improvements Fund is a special revenue fund used to account for a portion of state revenue sharing, which is used for streets and drainage expenditures. In addition, this fund records the local option gas tax, which is also used for those expenditures.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the City's water distribution operations and sewer collection operations.

The Sanitation Fund accounts for the activities of the City's sanitation collection.

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 City 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.

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.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement focus, basis of accounting, and financial statement presentation** (Continued)

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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When fund balance resources are available for a specific purpose in more than one classification, it is the City of Crystal River's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

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

State Statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating and savings, the State Treasurer's Investment Pool, and certificate of deposit accounts in State-certified public depositories.

Investments of the City, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, liabilities, and net assets or equity (Continued)**

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**3. Inventories and prepaid items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Assets, liabilities, and net assets or equity** (Continued)

**4. Capital assets (continued)**

Property, plant, and equipment of the City, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	10-40
Infrastructure	10-25
Vehicles and equipment	5-10

**5. Government-wide and proprietary fund net assets**

As of September 30, 2011, net assets are classified as follows:

Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets – consists of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net assets are reported in this category.

**6. Governmental fund balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, liabilities, and net assets or equity (Continued)**

**6. Governmental fund balances (continued)**

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used only for specific purposes determined by a formal action of City Council – the government’s highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

*Assigned fund balance.* This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes. Under the City’s adopted policy, only City Council may assign amounts for specific purposes. Assigned fund balances include all remaining amounts, (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**E. Compensated absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when 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 RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**F. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest 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 near term of the related debt.

**G. Property taxes**

Property taxes for the current year were assessed and collected by the Citrus County and subsequently remitted to the City. Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1 with a delinquency date of April 1 of the following year. Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide.

**H. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

**A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$68,042 difference are as follows:

Capital outlay	\$ 353,789
Depreciation expense	(416,351)
Compensated absences	(5,480)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (68,042)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The City Council made 16 supplemental budgetary appropriations throughout the year.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS

**A. Deposits and investments**

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. At year-end, the carrying amount of the City's bank deposits was \$4,243,834 and the bank balance was \$4,380,679. Of the bank balance, \$4,380,679 was covered by Federal depository insurance or by collateral held by the City's custodial bank.

Investments

At year-end, the City's certificate of deposit balances with local banks total \$5,719,385. In addition, investments of \$237,561 represent amounts held with the Florida State Board of Administration, Local Government Surplus Funds Trust. This money market investment pool fund is accounted for and reported under GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 provides the options of accounting and reporting as either "2a-7 like" or fluctuating net asset value ("NAV"). The City's Fund B Surplus Funds Trust Fund is accounted for as a fluctuating NAV pool by the Florida State Board of Administration. The Florida State Board of Administration reports the values of the investments to the City at the net asset value which was \$179,796 at September 30, 2011. Fair value for the Fund B Surplus Funds Trust Fund must be calculated using a fair value factor, which was 0.75683860 at September 30, 2011.

*Credit Risk:* The Local Government Surplus Funds Trust is rated by Standards and Poor's. The current rating is AAA. The Fund B Surplus Funds Trust Fund is not rated by any nationally recognized statistical rating agency.

*Interest Rate Risk:* In accordance with our investment policy, the City of Crystal River, Florida manages its exposure to declines in fair values by investing in conservative investments with the emphasis on safety of principal.

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables**

Receivables as of fiscal year end for the City's individual major and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Improvements	Water & Sewer	Sanitation	Total
Accounts receivable	\$ 144,914	\$ 74,043	\$ 448,031	\$ 141,585	\$ 808,573
Special assessments	-	-	140,550	-	140,550
Gross					
Receivables	144,914	74,043	588,581	141,585	949,123
Less: allowance for uncollectibles	-	-	(70,879)	(5,000)	(75,879)
Net total receivables	<u>\$ 144,914</u>	<u>\$ 74,043</u>	<u>\$ 517,702</u>	<u>\$ 136,585</u>	<u>\$ 873,244</u>

**C. Capital assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 1,897,040	\$ -	\$ -	\$ 1,897,040
Construction in progress	290,207	13,050	(37,181)	266,076
Total capital assets, not being depreciated	<u>2,187,247</u>	<u>13,050</u>	<u>(37,181)</u>	<u>2,163,116</u>
Capital Assets, being depreciated:				
Buildings and improvements	2,421,804	37,941	-	2,459,745
Vehicles and equipment	1,325,996	106,237	-	1,432,233
Infrastructure	3,365,819	233,742	-	3,599,561
Total capital assets, being depreciated	<u>7,113,619</u>	<u>377,920</u>	<u>-</u>	<u>7,491,539</u>
Less accumulated depreciation:				
Buildings and improvements	(891,202)	(129,676)	-	(1,020,878)
Vehicles and equipment	(1,280,409)	(84,110)	-	(1,364,519)
Infrastructure	(541,243)	(202,565)	-	(743,808)
Total accumulated depreciation	<u>(2,712,854)</u>	<u>(416,351)</u>	<u>-</u>	<u>(3,129,205)</u>
Total capital assets, being depreciated, net	<u>4,400,765</u>	<u>(38,431)</u>	<u>-</u>	<u>4,362,334</u>
Governmental activities capital assets, net	<u>\$ 6,588,012</u>	<u>\$ (25,381)</u>	<u>\$ (37,181)</u>	<u>\$ 6,525,450</u>

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

**C. Capital assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 616,898	\$ -	\$ -	\$ 616,898
Construction in progress	1,500,376	1,372,407	-	2,872,783
Total capital assets, not being depreciated	<u>2,117,274</u>	<u>1,372,407</u>	<u>-</u>	<u>3,489,681</u>
Capital Assets, being depreciated:				
Buildings and improvements	18,256,529	444,930	-	18,701,459
Vehicles and equipment	6,934,144	55,024	-	6,989,168
Total capital assets, being depreciated	<u>25,190,673</u>	<u>499,954</u>	<u>-</u>	<u>25,690,627</u>
Less accumulated depreciation:				
Buildings and improvements	(6,377,256)	(177,103)	-	(6,554,359)
Vehicles and equipment	(4,972,593)	(467,970)	-	(5,440,563)
Total accumulated depreciation	<u>(11,349,849)</u>	<u>(645,073)</u>	<u>-</u>	<u>(11,994,922)</u>
Total capital assets, being depreciated, net	<u>13,840,824</u>	<u>(145,119)</u>	<u>-</u>	<u>13,695,705</u>
Business-type activities capital assets, net	<u>\$ 15,958,098</u>	<u>\$ 1,227,288</u>	<u>\$ -</u>	<u>\$ 17,185,386</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 64,534
Public Safety	12,491
Highways and Streets	312,263
Developmental Services	6,245
Culture and Recreation	20,818
	<u>\$ 416,351</u>

**Business-type activities:**

Water & Sewer	<u>\$ 645,073</u>
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CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

**C. Capital assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Discretely presented component unit:</b>				
Capital Assets, not being depreciated:				
Land	\$ 9,382	\$ -	\$ -	\$ 9,382
Construction in progress	-	7,853	-	7,853
Total capital assets, not being depreciated	<u>9,382</u>	<u>7,853</u>	<u>-</u>	<u>17,235</u>
Capital Assets, being depreciated:				
Buildings and improvements	254,949	715,999	-	970,948
Vehicles and equipment	317,598	-	-	317,598
Infrastructure	-	40,030	-	40,030
Total capital assets, being depreciated	<u>572,547</u>	<u>756,029</u>	<u>-</u>	<u>1,328,576</u>
Less accumulated depreciation:				
Buildings and improvements	(73,119)	(19,294)	-	(92,413)
Vehicles and equipment	(3,039)	(405)	-	(3,444)
Total accumulated depreciation	<u>(76,158)</u>	<u>(19,699)</u>	<u>-</u>	<u>(95,857)</u>
Total capital assets, being depreciated, net	<u>496,389</u>	<u>736,330</u>	<u>-</u>	<u>1,232,719</u>
Community Redevelopment Agency capital assets, net	<u>\$ 505,771</u>	<u>\$ 744,183</u>	<u>\$ -</u>	<u>\$ 1,249,954</u>

**D. Interfund receivables, payables and transfers**

The composition of interfund balances at September 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements	Water and Sewer	\$ 17,809
Sanitation	Community Redevelopment Agency	2,319
Total		<u>\$ 20,128</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

**D. Interfund receivables, payables and transfers (Continued)**

	Transfer In:			Total
	General Fund	Capital Improvements	Sanitation	
<b>Transfer Out:</b>				
General Fund	\$ -	\$ 628,376	\$ 104,610	\$ 732,986
Proprietary Funds:				
Water and Sewer	134,350	-	-	134,350
Sanitation	22,945	-	-	22,945
Component Unit	15,000	-	-	15,000
	<u>\$ 172,295</u>	<u>\$ 628,376</u>	<u>\$ 104,610</u>	<u>\$ 905,281</u>

Transfers are used to (1) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and (2) move revenues from the fund with collection authorization to the general fund for operating expenses.

**E. Long-term debt**

Revenue Bonds

The City issued revenue bonds on February 12, 2002, where the City pledged income derived from the constructed assets to pay debt service. The purpose of the issuance was (1) refunding the City's Water and Sewer Revenue Refunding Bonds, Series 1992, maturing after October 1, 2002 and its note payable dated September 25, 1995, (2) financing improvements to the City's water and sewer system, and (3) funding the cost of issuance with respect thereto.

Revenue bonds outstanding at September 30, 2011, are as follows:

Purpose	Interest Rates	Amounts
Improvements to water and sewer system	2% - 5%	\$ 5,655,000
Less deferred amount on refunding		(153,961)
Total		<u>\$ 5,501,039</u>

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term debt (Continued)

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	-	273,890	273,890
2013	295,000	261,853	556,853
2014	310,000	248,993	558,993
2015	325,000	235,178	560,178
2016 - 2020	1,845,000	936,018	2,781,018
2021 - 2025	2,340,000	436,038	2,776,038
2026	540,000	13,500	553,500
Total	<u>\$ 5,655,000</u>	<u>\$ 2,405,470</u>	<u>8,060,470</u>

Refunded Bonds

From time to time, the City has issued bonds and placed sufficient proceeds or such issues with escrow agents. The proceeds were used to purchase U.S. Treasury securities that, with the principal and interest, will be sufficient to pay specific older bond issues as the obligations come due. Those older bond issues are considered refunded or defeased. Pursuant to the Governmental Accounting Standards Board Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, the City does not report defeased/refunded bonds on its combined balance sheet.

As of September 30, 2011, the City has a total of five outstanding refunded bond issues that were originally reported in the Water and Sewer Fund. The payment of principal and interest on these bond issues is the responsibility of the escrow agents. Following is the schedule of refunded bonds outstanding as of September 30, 2011:

	<u>Date of Issue</u>	<u>Amount Outstanding</u>	<u>Refunding Issue</u>
Revenue refunding bonds	1992	\$ 5,130,000	Revenue refunding bonds 2002

State Revolving Funds

During 2005-2009, the City incurred construction expenses related to the wastewater expansion project which is financed in part by a Clean Water State Revolving Fund loan. Principal payments will begin after construction is complete. In conjunction with the loan, the City is the recipient of a Disadvantaged Small Community Grant. At the completion of the project, funds received under this grant may be applied to the outstanding loan balance.



CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

**E. Long-term debt (Continued)**

Changes on long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 41,474	\$ 57,054	\$ 51,574	\$ 46,954	\$ 24,000
<b>Business-type activities:</b>					
Bonds payable	\$ 5,771,260	\$ -	\$ (270,221)	\$ 5,501,039	\$ -
State revolving loan fund	584,591	-	-	584,591	-
Business-type activity long-term liabilities	<u>\$ 6,355,851</u>	<u>\$ -</u>	<u>\$ (270,221)</u>	<u>\$ 6,085,630</u>	<u>\$ -</u>

Total interest expense incurred by the water and sewer fund during the current fiscal year was \$279,733.

NOTE 5 - OTHER INFORMATION

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of Public Risk Management of Florida ("PRMF"), a local government risk management pool, as defined by Florida Statutes 163.01(3)(h), which provides a program of property and casualty coverage for its 49 member organizations, which include cities, counties, authorities, and special districts. The City has transferred its risk of loss to PRMF. The City has had no settlements in excess of insurance coverage. The City has obtained separate insurance coverage for risks that are not included in the pool.

**B. Litigation**

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management and legal counsel that resolution of these matters will not have a materially adverse effect on the financial condition of the City.

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - OTHER INFORMATION (CONTINUED)

**C. Contingent liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a materially adverse effect on the City's financial condition.

**D. Retirement plan**

**Statewide Local Government Retirement System (SLGRS)**

Plan Description

The City of Crystal River, Florida contributes to the Florida Retirement System ("FRS"), a cost sharing multiple-employer public employee retirement system, which is controlled by the State Legislature and administrated by the State of Florida, Department of Management Services, Division of Retirement. The FRS provides retirement and disability benefits. The Division of Retirement issues a publicly available financial report that includes the pension benefit obligation, the net assets and unfunded pension benefit obligation. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or calling (850) 488-5706.

Funding Policy

The City of Crystal River, Florida is required to contribute 9.13% of salary for regular members, 20.58% of salary for special risk members, 10.9% of salary for senior management, and 16.11% for council members. The contribution requirements of City of Crystal River, Florida may be changed by FRS. The City of Crystal River, Florida's contributions to FRS for the years ended September 30, 2011, 2010, 2009, 2008, and 2007, were \$91,183, \$102,546, \$122,612, \$200,528, and \$288,504, respectively. For the year ended September 20, 2011, \$17,236 of the \$91,183 in contributions made to FRS by the City, were to a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code on behalf of certain senior management employees.

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - OTHER INFORMATION (CONTINUED)

**E. Post-employment benefits other than pension**

Plan Description

The City administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members.

The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The City does not contribute to the cost of the current-year premiums for eligible, retired plan members and their spouses.

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 of the employer (ARC). The City has elected to calculate the ARC and the related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 Retiree Health Plan:

Annual required contribution	\$ 16,000
Interest on net OPEB obligation	2,000
Annual OPEB cost (expense)	<u>18,000</u>
Employer contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation - beginning of year	<u>56,000</u>
Net OPEB obligation - end of year	<u><u>\$ 64,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2011 is as follows:

CITY OF CRYSTAL RIVER, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - OTHER INFORMATION (CONTINUED)

**E. Post-employment benefits other than pension (Continued)**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2010	\$ 56,000	21%	\$ 56,000
9/30/2011	\$ 11,000	19%	\$ 64,000

Funded Status and Funding Progress

As of September 30, 2011, the actuarial accrued liability for benefits was \$64,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$854,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.2 percent.

**F. Utility Operating Contract**

The City contracts with a private company to operate the City's water and sewer facilities. The company is responsible for operating and maintenance expenses of the facilities, including operational personnel. The City is responsible for the following: 1) capital expenditures, 2) debt service, 3) maintenance and repairs in excess of approximately \$77,000 annually, and 4) maintaining property damage insurance on the facilities and equipment.

The contract is cancelable by either party. During the year ended September 30, 2011, the monthly fee was approximately \$88,000. Annual fees are negotiable annually on or before December 1. Failure to agree upon an annual fee will be resolved by application of a formula based upon the most current annual fee adjusted for the Consumer Price Index.

**G. Construction Contract Commitment**

The City's one major construction contract commitment at September 30, 2011, is as follows:

	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Disadvantaged Small Community Grant Agreement/Loan - Engineering and Construction	<u>\$ 1,125,232</u>	<u>\$ 943,467</u>	<u>\$ 181,765</u>

CITY OF CRYSTAL RIVER, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - OTHER INFORMATION (CONTINUED)

**H. Police Contract with Citrus County Sheriff's Office**

In 2008, the City Council dissolved the police department and entered into a contract with the Citrus County Sheriff's Office to provide public safety services. Substantially all police assets were transferred to the Sheriff's Office. The contract with the Sheriff's Office expires on September 30 of each year, subject to automatic renewal on an annual basis, provided no action is taken to terminate the contract. The City paid \$1,138,610 for these services during fiscal year 2011 and is contracted for \$1,089,158 during fiscal year 2012.

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

Honorable City Council  
City of Crystal River, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City of Crystal River, Florida's basic financial statements and have issued our report thereon dated June 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Crystal River, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Honorable City Council  
City of Crystal River, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crystal River, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Crystal River, Florida, in the accompanying "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated June 5, 2012.

City of Crystal River, Florida's response to the findings identified in our audit are described in the accompanying management's response to audit findings. We did not audit City of Crystal River, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Crystal River, Florida's management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William McLean, Mark S. Cook, P.A.*

Inverness, Florida  
June 5, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable City Council  
City of Crystal River, Florida

**Compliance**

We have audited the City of Crystal River, Florida's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Crystal River, Florida's major federal programs for the year ended September 30, 2011. City of Crystal River, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Crystal River, Florida's management. Our responsibility is to express an opinion on City of Crystal River, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Crystal River, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Crystal River, Florida's compliance with those requirements.



In our opinion, City of Crystal River, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

### **Internal Control Over Compliance**

Management of City of Crystal River, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Crystal River, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Crystal River, Florida's internal control over compliance.

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

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

City of Crystal River, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Crystal River, Florida's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William McClaw, CPA, P.A.*

Crystal River, Florida  
June 5, 2012

CITY OF CRYSTAL RIVER, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Grantor/Pass-Through Program Title	CFDA Number	Contract Number	Program or Award Amount	Expenditures
<b><u>Federal Awards</u></b>				
<b>U.S. Department of Environmental Protection</b>				
Passed Through the Florida Department of Environmental Protection				
Capitalization Grants for State Revolving Funds	66.458	WW090200	\$ 3,584,188	\$ 1,357,504
<b>Total Federal Awards</b>			<b>\$ 3,584,188</b>	<b>\$ 1,357,504</b>

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Crystal River, Florida under programs of the federal government for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Crystal River, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Crystal River.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF CRYSTAL RIVER, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB  
CIRCULAR A-133  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**PART A – SUMMARY OF AUDIT RESULTS**

**Financial Statements**

- The independent auditor's report expresses an unqualified opinion on the financial statements of City of Crystal River, Florida.
- For significant deficiencies disclosed during the audit of the financial statements of the City of Crystal River, see Part B – Findings – Financial Statements of this report.
- No instances of noncompliance material to the financial statements of City of Crystal River, Florida were disclosed during the audit.

**Federal Awards**

- The auditors' report on compliance with requirements applicable to the major programs for City of Crystal River, Florida expresses our unqualified opinion.
- There were no material weaknesses in internal control over the major programs of City of Crystal River, Florida.
- The dollar threshold used to distinguish between Types A and B programs was \$300,000.

The City of Crystal River was not considered a low-risk auditee for the year ended September 30, 2011 for purposes of major program determination.

- The programs tested as major programs included the following:

U.S. Department of Environmental Protection  
Capitalization Grants for State Revolving Funds  
CFDA No. 66.458.

**PART B – FINANCIAL STATEMENT FINDINGS**

No findings in the current year.

**PART C – MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS & QUESTIONED COSTS**

No findings in the current year.

CITY OF CRYSTAL RIVER, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB  
CIRCULAR A-133  
FOR THE YEAR ENDED SEPTEMBER 30, 2011 (CONTINUED)

**PART D – PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

No findings reported in the prior year.

**PART E – PRIOR YEAR MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS &  
QUESTIONED COSTS**

No findings reported in the prior year.

## **OTHER SUPPLEMENTARY INFORMATION**

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

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

Public Safety Expansion Fund – This fund records a public safety impact fee, levied on new construction, to fund police and fire protection expansion.

### **Discretely Presented Component Unit**

#### **Community Redevelopment Agency**

CITY OF CRYSTAL RIVER, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

	<b>SPECIAL REVENUE</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>	<b>PUBLIC SAFETY EXPANSION</b>	
Cash	\$ 14,248	\$ 14,248
<b>TOTAL ASSETS</b>	<b>\$ 14,248</b>	<b>\$ 14,248</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Fund balances:		
Restricted for fire safety projects	\$ 14,248	\$ 14,248

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>SPECIAL REVENUE</u>	
	PUBLIC SAFETY EXPANSION	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	<u>                    </u>	<u>                    </u>
<b>REVENUES:</b>		
Impact fees	\$ 625	\$ 625
Interest	24	24
Total revenues	<u>649</u>	<u>649</u>
<b>EXPENDITURES:</b>		
Current:		
Public safety	<u>200</u>	<u>200</u>
<b>Excess of revenues over expenditures</b>	449	449
<b>Fund balances, beginning of year</b>	13,799	13,799
<b>Fund balances, end of year</b>	<u>\$ 14,248</u>	<u>\$ 14,248</u>

The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 BALANCE SHEET  
 COMMUNITY REDEVELOPMENT AGENCY  
 SEPTEMBER 30, 2011

**ASSETS**

Cash	\$	730,765
Investments		13,587
Other assets		4,026
		<hr/>
TOTAL ASSETS	\$	<u>748,378</u>

**LIABILITIES**

Accounts payable and accrued expenses		140,683
Due to other funds		2,319
Total Liabilities		<hr/> 143,002 <hr/>

**FUND BALANCE**

Unrestricted		<hr/> 605,376 <hr/>
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Amounts reported for component unit activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,249,954
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Net assets of discretely presented component unit (page 11)	\$	<u>1,855,330</u>
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The accompanying notes to the financial statements are an integral part of these statements.



CITY OF CRYSTAL RIVER, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
COMMUNITY REDEVELOPMENT AGENCY  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**REVENUES:**

Taxes	\$ 443,955
Interest	5,452
Other	2,259
Total revenues	<u>451,666</u>

**EXPENDITURES:**

Current:	
Developmental services	115,821
Salaries and wages	31,157
Capital outlay	
Developmental services	763,882
Total expenditures	<u>910,860</u>

**Deficiency of revenues over expenditures** (459,194)

**OTHER FINANCING USES**

Transfers out	<u>(15,000)</u>
---------------	-----------------

**Net change in fund balance** (474,194)

<b>Fund balance</b> , beginning of year	1,079,570
<b>Fund balance</b> , end of year	<u>\$ 605,376</u>

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

Net change in fund balance - discretely presented component unit	\$ (474,194)
--	--------------

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. The details of this difference are as follows:

Capital outlay	763,882
Depreciation expense	(19,699)

Change in net assets of discretely presented component unit (page 12)	<u>\$ 269,989</u>
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The accompanying notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA  
 SCHEDULE OF MATURITIES OF WATER AND SEWER REVENUE  
 REFUNDING BONDS, SERIES 2002  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Bond Year Beginning October 1,	Principal	Interest	Total Annual Debt Service
2011	\$ -	\$ 273,890	\$ 273,890
2012	295,000	261,853	556,853
2013	310,000	248,993	558,993
2014	325,000	235,178	560,178
2015 - 2019	1,845,000	936,018	2,781,018
2020 - 2024	2,340,000	436,038	2,776,038
2025	540,000	13,500	553,500
	\$ 5,655,000	\$ 2,405,470	\$ 8,060,470

CITY OF CRYSTAL RIVER, FLORIDA  
 SCHEDULE OF REVENUE BOND COVERAGE -  
 WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2002  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expense(1)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Maximum Debt Service</b>	<b>Coverage Ratio(2)</b>
2011	\$ 2,733,327	\$ 2,018,246	\$ 715,081	\$ 567,750	126%

(1) Total operating expenses excluding depreciation.

(2) The bond covenant requires net revenues and all reserve and other payments required under the Ordinance to be at least 125% of the bond service requirement.

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF  
THE RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA

Honorable City Council  
City of Crystal River, Florida

We have audited the financial statements of the City of Crystal River, Florida, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated June 5, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters and Schedule of Findings and Responses. Disclosures in the report and schedule, which are dated June 5, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule.

Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Rules of the Auditor General (Section 10.554(1)(i)2.) require our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Crystal River, Florida complied with Section 218.415, Florida Statutes.

Rules of the Auditor General (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Honorable City Council  
City of Crystal River, Florida

Rules of Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Rules of the Auditor General (Section 10.554(1)(i)5.) provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Rules of the Auditor General (Section 10.554(1)(i)6.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Crystal River, Florida included the following component unit: The City of Crystal River, Florida Community Redevelopment Agency.

Rules of the Auditor General (Section 10.554(1)(i)7.a.) require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Crystal River did not meet any of the conditions described in Section 218.053(1), Florida Statutes.

Rules of the Auditor General (Section 10.554(1)(i)7.b.) require that we determine whether the annual financial report for the City of Crystal River for the fiscal year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Rules of the Auditor General (Sections 10.554(i)(7)c. and 10.556(7)) require that we apply financial condition assessment procedures. It is management's responsibility to monitor the City of Crystal River's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit, we applied financial condition assessment procedures.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*William McCain, with: Cash P.O.*

Inverness, Florida  
June 5, 2012



# City of Crystal River

123 North West Highway 19 // Crystal River, Florida 34428-3999 // Telephone (352) 795-4216 // Fax (352) 795-6351

June 20, 2012

Mr. David W. Martin, Auditor General  
State of Florida  
PO Box 1735  
Tallahassee, FL 32302-1735

SUBJ: Audited Financial Statements FY 2010-2011

Dear Mr. Martin:

In accordance with Chapter 10.550 RULES OF THE AUDITOR GENERAL – LOCAL GOVERNMENT ENTITY AUDITS, enclosed are two (2) copies of the fiscal year 2011 audited Financial Statements for the City of Crystal River. Williams, McCranie, Wardlow & Cash, P.A., Certified Public Accounts prepared the audit report.

There are no reportable conditions requiring corrective action for Fiscal Year 2011; therefore, a corrective action plan has not been incorporated in this submission.

If you require additional information or have any questions concerning the audit, please contact me at your convenience.

Sincerely,

Andrew R. Houston  
City Manager