

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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, 2012, 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, 2012, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2013 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 McLean, Wink & Cook, P.A.

Inverness, Florida
June 4, 2013

**CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

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, 2012.

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, 2012
(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 improvements fund. A budgetary comparison statement has been provided for the general fund and capital improvements fund to demonstrate compliance with this budget.

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 52-53 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 \$31,669,113 at the close of the most recent fiscal year.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Continued)

By far the largest portion of the City of Crystal River's net assets, 63 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,926,973	\$ 7,380,442	\$ 5,393,830	\$ 6,329,394	\$ 12,320,803	\$ 13,709,836
Capital assets	6,954,389	6,525,450	18,932,832	17,185,386	25,887,221	23,710,836
Total assets	<u>\$ 13,881,362</u>	<u>\$ 13,905,892</u>	<u>\$ 24,326,662</u>	<u>\$ 23,514,780</u>	<u>\$ 38,208,024</u>	<u>\$ 37,420,672</u>
Long-term liabilities						
outstanding	\$ 51,422	\$ 46,954	\$ 5,867,591	\$ 6,085,630	\$ 5,919,013	\$ 6,132,584
Other liabilities	218,913	138,711	400,985	1,135,533	619,898	1,274,244
Total liabilities	<u>270,335</u>	<u>185,665</u>	<u>6,268,576</u>	<u>7,221,163</u>	<u>6,538,911</u>	<u>7,406,828</u>
Net assets						
Invested in capital assets, net of related debt	6,954,389	6,525,450	13,065,241	11,099,756	20,019,630	17,625,206
Restricted	2,226,255	2,650,271	2,298,732	2,773,466	4,524,987	5,423,737
Unrestricted	4,430,383	4,544,506	2,694,113	2,420,395	7,124,496	6,964,901
Total net assets	<u>\$ 13,611,027</u>	<u>\$ 13,720,227</u>	<u>\$ 18,058,086</u>	<u>\$ 16,293,617</u>	<u>\$ 31,669,113</u>	<u>\$ 30,013,844</u>

An additional portion of the City's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining \$7,124,496 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.

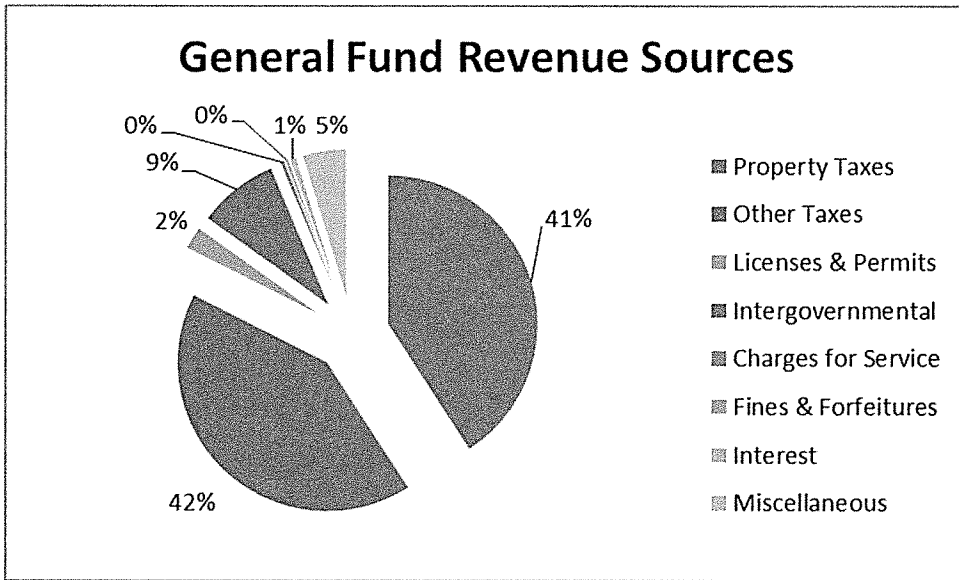
Governmental activities. Governmental activities increased the City of Crystal River's net assets by \$109,200.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Continued)

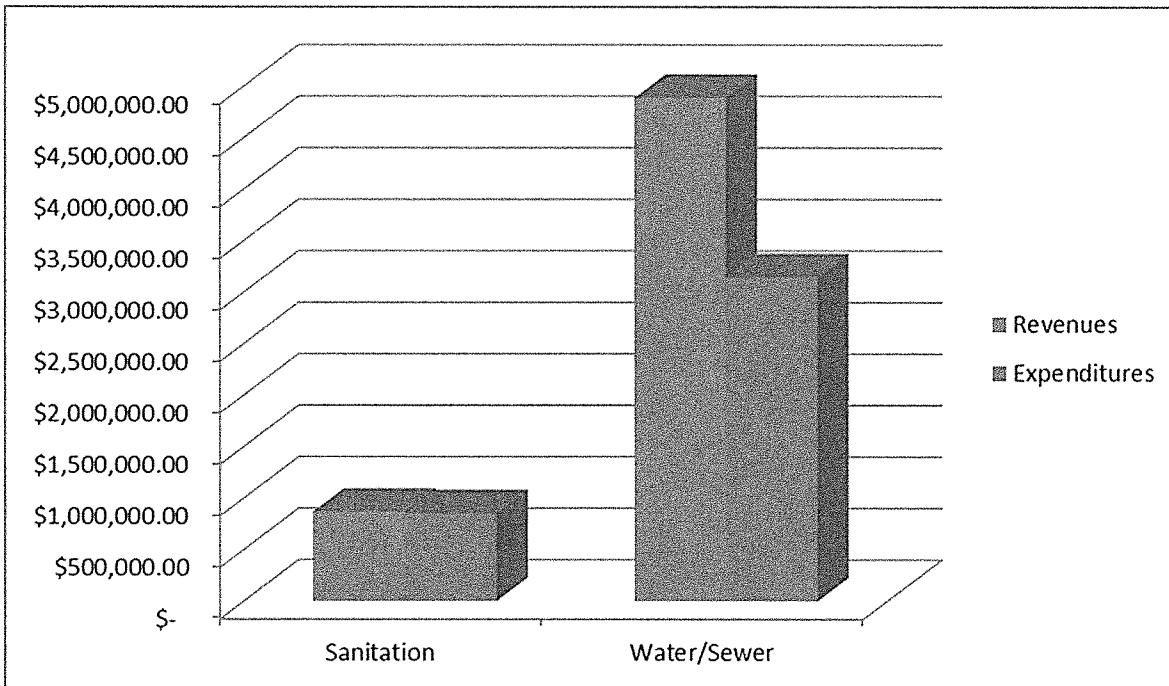
City of Crystal River, Florida's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 322,250	\$ 305,683	\$ 3,582,408	\$ 3,566,035	\$ 3,904,658	\$ 3,871,718
Operating grants and contributions	177,734	370,301	-	-	177,734	370,301
Capital grants and contributions	-	-	2,155,389	1,398,793	2,155,389	1,398,793
General revenues:						
Property taxes	1,681,113	1,735,175	-	-	1,681,113	1,735,175
Other taxes	1,712,944	1,815,273	-	-	1,712,944	1,815,273
Other	51,900	55,372	32,669	40,335	84,569	95,707
Total revenues	<u>3,945,941</u>	<u>4,281,804</u>	<u>5,770,466</u>	<u>5,005,163</u>	<u>9,716,407</u>	<u>9,286,967</u>
Expenses:						
General government	1,209,618	1,238,840	-	-	1,209,618	1,238,840
Public safety	1,367,522	1,336,067	-	-	1,367,522	1,336,067
Highways and streets	1,303,414	881,869	-	-	1,303,414	881,869
Developmental services	231,705	239,741	-	-	231,705	239,741
Culture and recreation	125,900	176,475	-	-	125,900	176,475
Water and sewer	-	-	3,006,293	2,365,276	3,006,293	2,365,276
Sanitation	-	-	832,136	948,856	832,136	948,856
Total expenses	<u>4,238,159</u>	<u>3,872,992</u>	<u>3,838,429</u>	<u>3,314,132</u>	<u>8,076,588</u>	<u>7,187,124</u>
Increase in net assets before transfers	(292,218)	408,812	1,932,037	1,691,031	1,639,819	2,099,843
Transfers	183,018	67,685	(167,568)	(52,685)	15,450	15,000
Increase in net assets	<u>(109,200)</u>	<u>476,497</u>	<u>1,764,469</u>	<u>1,638,346</u>	<u>1,655,269</u>	<u>2,114,843</u>
Net assets, beginning of year	<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>
Net assets, end of year	<u>\$ 13,611,027</u>	<u>\$ 13,720,227</u>	<u>\$ 18,058,086</u>	<u>\$ 16,293,617</u>	<u>\$ 31,669,113</u>	<u>\$ 30,013,844</u>

**CITY OF CRYSTAL RIVER, FLORIDA
 MANAGEMENT DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2012
 (Continued)**



Business-type activities. Business-type activities increased the City of Crystal River’s net assets by \$1,764,469.



CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(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 \$6,781,060 a decrease of \$460,671 in comparison with the prior year. Of the total, \$3,872,918 or 84%, 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 already been 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 \$3,872,918, while total fund balance reached \$4,598,815. 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 109% of total general fund expenditures, while total fund balance represents 130% of that same amount.

The fund balance of the City's general fund decreased by \$36,554 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 and Harbor Isle. Expenditures were paid in FY 2012, but reimbursement through the Grant from DEP was not received until FY 2013.

Capital Improvements Fund Budgetary Highlights.

During the year the final amended budget was greater than the original 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 FY 2013. Funding for this project will be coming from City General Funds, County gas tax revenues, and FDOT funding (50% of project total).

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Continued)

Capital Asset and Debt Administration

Capital assets. The City of Crystal River’s investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$25,887,221 (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 11% (a 7% increase for governmental activities and a 13% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- We added \$3,074,321 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.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,897,040	\$ 1,897,040	\$ 616,898	\$ 616,898	\$ 2,513,938	\$ 2,513,938
Buildings & improvements	1,648,114	1,438,867	11,667,841	12,174,100	13,315,955	13,612,967
Vehicles & equipment	109,460	67,714	1,170,566	1,548,605	1,280,026	1,616,319
Infrastructure	2,627,919	2,855,753	-	-	2,627,919	2,855,753
Construction in progress	671,856	266,076	5,477,527	2,403,206	6,149,383	2,669,282
Total	\$ 6,954,389	\$ 6,525,450	\$ 18,932,832	\$ 16,742,809	\$ 25,887,221	\$ 23,268,259

Additional information on the City of Crystal River’s capital assets can be found in Note IV. C. on pages 33-35 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 \$5,283,000. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Continued)

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds (less deferred refunding costs)	\$ -	\$ -	\$ 5,283,000	\$ 5,501,039	\$ 5,283,000	\$ 5,501,039
Total	\$ -	\$ -	\$ 5,283,000	\$ 5,501,039	\$ 5,283,000	\$ 5,501,039

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

Economic Factors

- ➔ No rate increases for water usage and sewer usage were implemented in FY 2012.
- ➔ Health care insurance premiums remained the same for FY 2012.
- ➔ Interest rates have fallen significantly on money placed on deposit with SBA and local bank accounts. The City maintains \$3,722,966 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, 2012

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNIT
	ACTIVITIES	ACTIVITIES		COMMUNITY
				REDEVELOPMENT
ASSETS:				
Cash and cash equivalents	\$ 2,717,327	\$ 1,099,945	\$ 3,817,272	\$ 626,969
Certificates of deposit	2,094,304	1,628,662	3,722,966	-
Investments	1,200,700	70,297	1,270,997	14,000
Receivables (net)	161,125	718,005	879,130	-
Due from other governments	-	824,070	824,070	-
Other assets	76,085	119,841	195,926	6,640
Internal balances	677,432	(677,432)	-	-
Restricted assets:				
Cash and cash equivalents	-	135,780	135,780	-
Investments and certificates of deposit	-	1,474,662	1,474,662	-
Fixed assets, net of accumulated depreciation	6,954,389	18,932,832	25,887,221	1,544,694
TOTAL ASSETS	\$ 13,881,362	\$ 24,326,662	\$ 38,208,024	\$ 2,192,303
LIABILITIES:				
Accounts payable and accrued expenses	\$ 144,355	\$ 266,065	\$ 410,420	\$ 10,462
Customer deposits	-	134,920	134,920	-
Due to other governments	1,558	-	1,558	-
Noncurrent liabilities:				
Due within one year	24,000	175,000	199,000	-
Due in more than one year	100,422	5,692,591	5,793,013	-
TOTAL LIABILITIES	270,335	6,268,576	6,538,911	10,462
NET ASSETS:				
Invested in capital assets, net of related debt	6,954,389	13,065,241	20,019,630	-
Restricted for:				
Capital projects	2,167,238	1,240,982	3,408,220	-
Debt service	-	1,057,750	1,057,750	-
Other purposes	59,017	-	59,017	-
Unrestricted	4,430,383	2,694,113	7,124,496	2,181,841
TOTAL NET ASSETS	\$ 13,611,027	\$ 18,058,086	\$ 31,669,113	\$ 2,181,841

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, 2012

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		
Primary government:								
Governmental activities								
General government	\$ 1,209,618	\$ 196,511	\$ 177,734	\$ -	\$ (835,373)	\$ -	\$ (835,373)	\$ -
Public safety	1,367,522	15,388	-	-	(1,352,134)	-	(1,352,134)	-
Highways and streets	1,303,414	39,818	-	-	(1,263,596)	-	(1,263,596)	-
Developmental services	231,705	70,333	-	-	(161,372)	-	(161,372)	-
Culture and recreation	125,900	200	-	-	(125,700)	-	(125,700)	-
Total governmental activities	<u>4,238,159</u>	<u>322,250</u>	<u>177,734</u>	<u>-</u>	<u>(3,738,175)</u>	<u>-</u>	<u>(3,738,175)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	3,006,293	2,712,942	-	2,155,389	-	1,862,038	1,862,038	-
Sanitation	832,136	869,466	-	-	-	37,330	37,330	-
Total business-type activities	<u>3,838,429</u>	<u>3,582,408</u>	<u>-</u>	<u>2,155,389</u>	<u>-</u>	<u>1,899,368</u>	<u>1,899,368</u>	<u>-</u>
↺ Total primary government	<u>\$ 8,076,588</u>	<u>\$ 3,904,658</u>	<u>\$ 177,734</u>	<u>\$ 2,155,389</u>	<u>\$ (3,738,175)</u>	<u>\$ 1,899,368</u>	<u>\$ (1,838,807)</u>	<u>\$ -</u>
Component unit:								
Community redevelopment	<u>\$ 88,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (88,802)</u>
General Revenues								
Taxes:								
Property taxes					1,681,113	-	1,681,113	424,752
Sales and fuel taxes					401,688	-	401,688	-
Franchise taxes					572,943	-	572,943	-
Utility service taxes					738,313	-	738,313	-
Unrestricted investment earnings					29,619	16,010	45,629	2,614
Unrealized gain/loss on investments					22,281	16,659	38,940	3,397
Transfers					183,018	(167,568)	15,450	(15,450)
Total General Revenues and Transfers					<u>3,628,975</u>	<u>(134,899)</u>	<u>3,494,076</u>	<u>415,313</u>
Change in Net Assets					(109,200)	1,764,469	1,655,269	326,511
Net assets, beginning of year					<u>13,720,227</u>	<u>16,293,617</u>	<u>30,013,844</u>	<u>1,855,330</u>
Net assets, end of year					<u>\$ 13,611,027</u>	<u>\$ 18,058,086</u>	<u>\$ 31,669,113</u>	<u>\$ 2,181,841</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, 2012

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENTS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,921,354	\$ 780,966	\$ 15,007	\$ 2,717,327
Certificates of deposit	2,094,304	-	-	2,094,304
Investments	88,597	1,112,103	-	1,200,700
Accounts receivable	144,436	16,689	-	161,125
Other assets	76,085	-	-	76,085
Due from other governments	-	-	3,867	3,867
Due from other funds	363,333	314,099	-	677,432
TOTAL ASSETS	<u>\$ 4,688,109</u>	<u>\$ 2,223,857</u>	<u>\$ 18,874</u>	<u>\$ 6,930,840</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 87,736	\$ 56,619	\$ 3,867	\$ 148,222
Due to other governments	1,558	-	-	1,558
Total Liabilities	<u>89,294</u>	<u>56,619</u>	<u>3,867</u>	<u>149,780</u>
Fund Balances:				
Nonspendable:				
Prepays	76,085	-	-	76,085
Restricted for:				
Public safety	-	-	15,007	15,007
Capital improvements	-	2,167,238	-	2,167,238
Cemetery	44,010	-	-	44,010
Committed to:				
Capital improvements	605,802	-	-	605,802
Unassigned	3,872,918	-	-	3,872,918
Total fund balances	<u>4,598,815</u>	<u>2,167,238</u>	<u>15,007</u>	<u>6,781,060</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,688,109</u>	<u>\$ 2,223,857</u>	<u>\$ 18,874</u>	<u>\$ 6,930,840</u>

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)	\$ 6,781,060
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,954,389
Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported as fund liabilities.	(51,422)
Long-term liability (other post employment benefits) are not due and payable in the current period and, therefore, not reported as fund liabilities.	<u>(73,000)</u>
Net assets of governmental activities (page 11)	<u><u>\$ 13,611,027</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, 2012

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 3,152,198	\$ 241,858	\$ -	\$ 3,394,056
Licenses and permits	102,150	-	-	102,150
Intergovernmental	185,615	-	-	185,615
Charges for services	20,114	-	-	20,114
Fines and forfeitures	14,779	-	-	14,779
Impact fees	-	-	759	759
Interest	29,618	-	-	29,618
Miscellaneous	197,567	1,283	-	198,850
Total revenues	<u>3,702,041</u>	<u>243,141</u>	<u>759</u>	<u>3,945,941</u>
EXPENDITURES:				
Current:				
General government	1,033,175	-	-	1,033,175
Public safety	1,347,832	-	-	1,347,832
Highways and streets	809,087	90	-	809,177
Developmental services	222,297	-	-	222,297
Culture and recreation	91,888	-	-	91,888
Capital outlay:				
General government	42,334	79,810	-	122,144
Highways and streets	-	963,117	-	963,117
Total expenditures	<u>3,546,613</u>	<u>1,043,017</u>	<u>-</u>	<u>4,589,630</u>
Excess (deficiency) of revenues over expenditures	<u>155,428</u>	<u>(799,876)</u>	<u>759</u>	<u>(643,689)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	183,018	375,000	-	558,018
Transfers out	<u>(375,000)</u>	<u>-</u>	<u>-</u>	<u>(375,000)</u>
Total other financing sources (uses)	<u>(191,982)</u>	<u>375,000</u>	<u>-</u>	<u>183,018</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<u>(36,554)</u>	<u>(424,876)</u>	<u>759</u>	<u>(460,671)</u>
Fund balances, beginning of year	<u>4,635,369</u>	<u>2,592,114</u>	<u>14,248</u>	<u>7,241,731</u>
Fund balances, end of year	<u>\$ 4,598,815</u>	<u>\$ 2,167,238</u>	<u>\$ 15,007</u>	<u>\$ 6,781,060</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, 2012

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) \$ (460,671)

Governmental funds report capital outlays as expenditures. However, in the statement
 of activities, the cost of those assets is allocated over their estimated useful lives and
 reported as depreciation expense. This is the amount by which capital outlays
 exceeded depreciation expense in the current period. 428,939

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. (4,468)

Long-term liabilities are not due and payable in the current period and, accordingly, are
 not reported as fund liabilities. All liabilities both current and long-term, are reported in
 the statement of net assets. This is the amount of the other post employment benefits
 liability. (73,000)

Change in net assets of governmental activities (page 12) \$ (109,200)

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, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 3,309,259	\$ 3,309,259	\$ 3,152,198	\$ (157,061)
Licenses and permits	98,050	104,550	102,150	(2,400)
Intergovernmental	182,863	182,863	185,615	2,752
Charges for services	22,700	22,700	20,114	(2,586)
Fines and forfeitures	22,500	22,500	14,779	(7,721)
Interest	33,500	33,500	29,618	(3,882)
Miscellaneous	78,900	78,900	197,567	118,667
Total revenues	<u>3,747,772</u>	<u>3,754,272</u>	<u>3,702,041</u>	<u>(52,231)</u>
EXPENDITURES:				
Current:				
General government	1,224,994	1,325,579	1,033,175	292,404
Public safety	1,369,827	1,383,183	1,347,832	35,351
Highways and streets	852,821	863,958	809,087	54,871
Developmental services	242,660	249,160	222,297	26,863
Culture and recreation	111,128	117,553	91,888	25,665
Capital Outlay:				
Highways and streets	-	-	42,334	(42,334)
Total Expenditures	<u>3,801,430</u>	<u>3,939,433</u>	<u>3,546,613</u>	<u>392,820</u>
Excess of (deficiency) of revenues over expenditures	(53,658)	(185,161)	155,428	340,589
OTHER FINANCING SOURCES (USES):				
Transfers in	183,018	183,018	183,018	-
Transfers out	(375,000)	(375,000)	(375,000)	-
Total other financing sources (uses)	<u>(191,982)</u>	<u>(191,982)</u>	<u>(191,982)</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures and other uses	(245,640)	(377,143)	(36,554)	340,589
Fund balances, beginning of year	4,635,369	4,635,369	4,635,369	-
Fund balances, end of year	<u>\$ 4,389,729</u>	<u>\$ 4,258,226</u>	<u>\$ 4,598,815</u>	<u>\$ 340,589</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, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 248,069	\$ 248,069	\$ 241,858	\$ (6,211)
Interest	10,000	10,000	-	(10,000)
Miscellaneous	-	-	1,283	1,283
Total revenues	<u>258,069</u>	<u>258,069</u>	<u>243,141</u>	<u>(14,928)</u>
EXPENDITURES:				
Current:				
Highways and streets	-	-	90	(90)
Capital outlay:				
General government	85,500	85,500	79,810	5,690
Highways and streets	<u>2,968,527</u>	<u>3,580,042</u>	<u>963,117</u>	<u>2,616,925</u>
Total Expenditures	<u>3,054,027</u>	<u>3,665,542</u>	<u>1,043,017</u>	<u>2,622,525</u>
Deficiency of revenues under expenditures	<u>(2,795,958)</u>	<u>(3,407,473)</u>	<u>(799,876)</u>	<u>2,607,597</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>815,000</u>	<u>815,000</u>	<u>375,000</u>	<u>(440,000)</u>
Total other financing sources	<u>815,000</u>	<u>815,000</u>	<u>375,000</u>	<u>(440,000)</u>
Deficiency of revenues and other financing sources under expenditures	<u>(1,980,958)</u>	<u>(2,592,473)</u>	<u>(424,876)</u>	<u>2,167,597</u>
Fund balances, beginning of year	<u>2,592,114</u>	<u>2,592,114</u>	<u>2,592,114</u>	<u>-</u>
Fund balances, end of year	<u>\$ 611,156</u>	<u>\$ (359)</u>	<u>\$ 2,167,238</u>	<u>\$ 2,167,597</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, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SANITATION	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 941,877	\$ 158,068	\$ 1,099,945
Certificates of deposit	1,628,662	-	1,628,662
Investments	69,669	628	70,297
Accounts receivable (net of allowance for uncollectible accounts)	580,773	137,232	718,005
Other assets	119,841	-	119,841
Due from other governments	824,070	-	824,070
Total current assets	<u>4,164,892</u>	<u>295,928</u>	<u>4,460,820</u>
Noncurrent assets:			
Restricted cash and cash equivalents:			
Customer deposits	135,780	-	135,780
Restricted investments:			
Revenue bond covenant account	1,474,662	-	1,474,662
Property and equipment, net of accumulated depreciation and amortization	<u>18,932,832</u>	<u>-</u>	<u>18,932,832</u>
Total noncurrent assets	<u>20,543,274</u>	<u>-</u>	<u>20,543,274</u>
TOTAL ASSETS	<u>\$ 24,708,166</u>	<u>\$ 295,928</u>	<u>\$ 25,004,094</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 196,986	\$ 69,079	\$ 266,065
Customer deposits	134,920	-	134,920
Due to other funds	677,432	-	677,432
Total current liabilities	<u>1,009,338</u>	<u>69,079</u>	<u>1,078,417</u>
Noncurrent liabilities:			
Revenue bonds payable	5,283,000	-	5,283,000
State revolving loan	584,591	-	584,591
Total noncurrent liabilities	<u>5,867,591</u>	<u>-</u>	<u>5,867,591</u>
Total liabilities	<u>6,876,929</u>	<u>69,079</u>	<u>6,946,008</u>
Net Assets:			
Invested in capital assets, net of related debt	13,065,241	-	13,065,241
Restricted for:			
Capital projects	1,240,982	-	1,240,982
Debt service	1,057,750	-	1,057,750
Unrestricted	<u>2,467,264</u>	<u>226,849</u>	<u>2,694,113</u>
Total net assets	<u>17,831,237</u>	<u>226,849</u>	<u>18,058,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,708,166</u>	<u>\$ 295,928</u>	<u>\$ 25,004,094</u>

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, 2012

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SANITATION	TOTALS
OPERATING REVENUES:			
Pledged as security for revenue bonds			
Water service	\$ 1,359,891	\$ -	\$ 1,359,891
Sewer service	1,339,322	-	1,339,322
Sanitation service	-	869,466	869,466
Miscellaneous	13,729	-	13,729
Total operating revenues	<u>2,712,942</u>	<u>869,466</u>	<u>3,582,408</u>
OPERATING EXPENSES:			
Contractual services	1,332,708	828,611	2,161,319
Depreciation	1,053,098	-	1,053,098
Other	68,054	3,525	71,579
Total operating expenses	<u>2,453,860</u>	<u>832,136</u>	<u>3,285,996</u>
Operating income	259,082	37,330	296,412
NONOPERATING REVENUES (EXPENSES):			
Interest income	15,675	335	16,010
Interest expense	(279,973)	-	(279,973)
Unrealized gain on investments	16,510	149	16,659
Amortization of bond issuance costs	(272,460)	-	(272,460)
Grant revenue	2,145,114	-	2,145,114
Total nonoperating revenues (expenses)	<u>1,624,866</u>	<u>484</u>	<u>1,625,350</u>
Income before contributions and transfers	1,883,948	37,814	1,921,762
Capital contributions	10,275	-	10,275
Transfers out	<u>(143,937)</u>	<u>(23,631)</u>	<u>(167,568)</u>
Change in net assets	1,750,286	14,183	1,764,469
Net assets, beginning of year	16,080,951	212,666	16,293,617
Net assets, end of year	<u>\$ 17,831,237</u>	<u>\$ 226,849</u>	<u>\$ 18,058,086</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, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>SANITATION</u>	<u>TOTALS</u>
Cash flows from operating activities :			
Cash received from customers	\$ 2,490,433	\$ 888,718	\$ 3,379,151
Cash payments to suppliers for goods and services	(1,427,870)	(850,703)	(2,278,573)
Net cash provided by operating activities	<u>1,062,563</u>	<u>38,015</u>	<u>1,100,578</u>
Cash flows from noncapital financing activities :			
Operating transfers from other funds	(143,937)	(23,631)	(167,568)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,800,544)	-	(2,800,544)
Grant funds received	2,678,548	-	2,678,548
Principal payments on bonds	(372,000)	-	(372,000)
Interest paid on bonds	(279,973)	-	(279,973)
Capital contributions received	10,275	-	10,275
Net cash used in capital and related financing activities	<u>(763,694)</u>	<u>-</u>	<u>(763,694)</u>
Cash flows from investing activities :			
Net proceeds from certificates of deposit	560,395	-	560,395
Net proceeds from SBA investment pool	14,361	130	14,491
Interest received	292	335	627
Net cash provided by investing activities	<u>575,048</u>	<u>465</u>	<u>575,513</u>
Net increase in cash and restricted cash	729,980	14,849	744,829
Cash and restricted cash, beginning of year	347,677	143,219	490,896
Cash and restricted cash, end of year	<u>\$ 1,077,657</u>	<u>\$ 158,068</u>	<u>\$ 1,235,725</u>
Classified as:			
Cash	\$ 941,877	\$ 158,068	\$ 1,099,945
Restricted cash	135,780	-	135,780
Total	<u>\$ 1,077,657</u>	<u>\$ 158,068</u>	<u>\$ 1,235,725</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, 2012

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER AND SEWER</u>	<u>SANITATION</u>	<u>TOTALS</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 259,082	\$ 37,330	\$ 296,412
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,053,098	-	1,053,098
Increase in accounts receivable	(63,071)	(647)	(63,718)
Decrease in due from other funds	-	11,295	11,295
Increase in other assets	(112,608)	-	(112,608)
Decrease in accounts payable and accrued expenses	(724,550)	(9,963)	(734,513)
Decrease in customer deposits	(35)	-	(35)
Increase in due to other funds	650,647	-	650,647
Total Adjustments	<u>803,481</u>	<u>685</u>	<u>804,166</u>
Net cash provided by operating activities	<u>\$ 1,062,563</u>	<u>\$ 38,015</u>	<u>\$ 1,100,578</u>
Noncash investing activities:			
Increase in fair value of SBA investments	\$ 16,510	\$ -	\$ 16,510

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, 2012

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, 2012

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, 2012

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, 2012

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.

CITY OF CRYSTAL RIVER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012

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, 2012, 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, 2012

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, 2012

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 of America 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, 2012

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 \$424,471 difference are as follows:

Capital outlay	\$ 1,085,261
Depreciation expense	(656,322)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ 428,939

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, 2012

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 \$4,580,021 and the bank balance was \$7,030,930. Of the bank balance, \$7,030,930 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 \$3,722,272. In addition, investments of \$195,505 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 \$185,528 at September 30, 2012. Fair value for the Fund B Surplus Funds Trust Fund must be calculated using a fair value factor, which was 0.94896811 at September 30, 2012.

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 its 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, 2012

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	\$ 144,436	\$ 16,689	\$ 515,785	\$ 142,232	\$ 819,142
Special assessments	-	-	135,867	-	135,867
Gross Receivables	144,436	16,689	651,652	142,232	955,009
Less: allowance for uncollectibles	-	-	(70,879)	(5,000)	(75,879)
Net total receivables	<u>\$ 144,436</u>	<u>\$ 16,689</u>	<u>\$ 580,773</u>	<u>\$ 137,232</u>	<u>\$ 879,130</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,897,040	\$ -	\$ -	\$ 1,897,040
Construction in progress	266,076	405,780	-	671,856
Total capital assets, not being depreciated	<u>2,163,116</u>	<u>405,780</u>	<u>-</u>	<u>2,568,896</u>
Capital Assets, being depreciated:				
Buildings and improvements	2,459,745	421,763	-	2,881,508
Vehicles and equipment	1,432,233	257,718	-	1,689,951
Infrastructure	3,599,561	-	-	3,599,561
Total capital assets, being depreciated	<u>7,491,539</u>	<u>679,481</u>	<u>-</u>	<u>8,171,020</u>
Less accumulated depreciation:				
Buildings and improvements	(1,020,878)	(212,516)	-	(1,233,394)
Vehicles and equipment	(1,364,519)	(215,972)	-	(1,580,491)
Infrastructure	(743,808)	(227,834)	-	(971,642)
Total accumulated depreciation	<u>(3,129,205)</u>	<u>(656,322)</u>	<u>-</u>	<u>(3,785,527)</u>
Total capital assets, being depreciated, net	<u>4,362,334</u>	<u>23,159</u>	<u>-</u>	<u>4,385,493</u>
Governmental activities capital assets, net	<u>\$ 6,525,450</u>	<u>\$ 428,939</u>	<u>\$ -</u>	<u>\$ 6,954,389</u>

CITY OF CRYSTAL RIVER, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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>
Business-type activities:				
Capital Assets, not being depreciated:				
Land	\$ 616,898	\$ -	\$ -	\$ 616,898
Construction in progress	<u>2,872,783</u>	<u>2,604,744</u>	<u>-</u>	<u>5,477,527</u>
Total capital assets, not being depreciated	<u>3,489,681</u>	<u>2,604,744</u>	<u>-</u>	<u>6,094,425</u>
Capital Assets, being depreciated:				
Buildings and improvements	18,701,459	60,461	-	18,761,920
Vehicles and equipment	<u>6,989,168</u>	<u>135,339</u>	<u>-</u>	<u>7,124,507</u>
Total capital assets, being depreciated	<u>25,690,627</u>	<u>195,800</u>	<u>-</u>	<u>25,886,427</u>
Less accumulated depreciation:				
Buildings and improvements	(6,554,359)	(539,720)	-	(7,094,079)
Vehicles and equipment	<u>(5,440,563)</u>	<u>(513,378)</u>	<u>-</u>	<u>(5,953,941)</u>
Total accumulated depreciation	<u>(11,994,922)</u>	<u>(1,053,098)</u>	<u>-</u>	<u>(13,048,020)</u>
Total capital assets, being depreciated, net	<u>13,695,705</u>	<u>(857,298)</u>	<u>-</u>	<u>12,838,407</u>
Business-type activities capital assets, net	<u>\$ 17,185,386</u>	<u>\$ 1,747,446</u>	<u>\$ -</u>	<u>\$ 18,932,832</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 101,730
Public Safety	19,690
Highways and Streets	492,242
Developmental Services	9,845
Culture and Recreation	32,816
	<u>\$ 656,322</u>

Business-type activities:

Water & Sewer	<u>\$ 1,053,098</u>
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CITY OF CRYSTAL RIVER, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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>
Discretely presented component unit:				
Capital Assets, not being depreciated:				
Land	\$ 9,382	\$ 167,956	\$ -	\$ 177,338
Construction in progress	7,853	-	-	7,853
Total capital assets, not being depreciated	<u>17,235</u>	<u>167,956</u>	<u>-</u>	<u>185,191</u>
Capital Assets, being depreciated:				
Buildings and improvements	970,948	148,349	-	1,119,297
Vehicles and equipment	317,598	-	-	317,598
Infrastructure	40,030	-	-	40,030
Total capital assets, being depreciated	<u>1,328,576</u>	<u>148,349</u>	<u>-</u>	<u>1,476,925</u>
Less accumulated depreciation:				
Buildings and improvements	(92,413)	(21,018)	-	(113,431)
Vehicles and equipment	(3,444)	(547)	-	(3,991)
Total accumulated depreciation	<u>(95,857)</u>	<u>(21,565)</u>	<u>-</u>	<u>(117,422)</u>
Total capital assets, being depreciated, net	<u>1,232,719</u>	<u>126,784</u>	<u>-</u>	<u>1,359,503</u>
Community Redevelopment Agency capital assets, net	<u>\$ 1,249,954</u>	<u>\$ 294,740</u>	<u>\$ -</u>	<u>\$ 1,544,694</u>

D. Interfund receivables, payables and transfers

The composition of interfund balances at September 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements	Water and Sewer	\$ 363,333
General Fund	Water and Sewer	314,099
Total		<u>\$ 677,432</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, 2012

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund receivables, payables and transfers (Continued)

	Transfer In:		Total
	General Fund	Capital Improvements	
Transfer Out:			
General Fund	\$ -	\$ 375,000	\$ 375,000
Proprietary Funds:			
Water and Sewer	143,937	-	143,937
Sanitation	23,631	-	23,631
Component Unit	15,450	-	15,450
	<u>\$ 183,018</u>	<u>\$ 375,000</u>	<u>\$ 558,018</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, 2012, are as follows:

Purpose	Interest Rates	Amounts
Improvements to water and sewer system	2% - 5%	<u>\$ 5,283,000</u>

CITY OF CRYSTAL RIVER, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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>
2013	\$ 175,000	\$ 75,057	\$ 250,057
2014	355,000	119,978	474,978
2015	364,000	111,445	475,445
2016	372,000	102,699	474,699
2017 - 2021	2,002,000	374,776	2,376,776
2022 - 2026	2,015,000	122,308	2,137,308
Total	<u>\$ 5,283,000</u>	<u>\$ 906,263</u>	<u>\$ 6,189,263</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, 2012, 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, 2012:

	<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, 2012

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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 46,954	\$ 9,426	\$ 4,958	\$ 51,422	\$ 24,000
Business-type activities:					
Bonds payable	\$ 5,501,039	\$ 5,283,000	\$ (5,501,039)	\$ 5,283,000	\$ 175,000
State revolving loan fund	584,591	-	-	584,591	-
Business-type activity long-term liabilities	<u>\$ 6,085,630</u>	<u>\$ 5,283,000</u>	<u>\$ (5,501,039)</u>	<u>\$ 5,867,591</u>	<u>\$ 175,000</u>

Total interest expense incurred by the water and sewer fund during the current fiscal year was \$279,973.

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, 2012

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, 2012, 2011, 2010, 2009, and 2008 were \$52,131, \$91,183, \$102,546, \$122,612, and \$200,528, 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, 2012

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	\$ 17,000
Interest on net OPEB obligation	3,000
Annual OPEB cost (expense)	<u>20,000</u>
Employer contributions made	<u>(11,000)</u>
Increase in net OPEB obligation	9,000
Net OPEB obligation - beginning of year	<u>64,000</u>
Net OPEB obligation - end of year	<u><u>\$ 73,000</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, 2012 is as follows:

CITY OF CRYSTAL RIVER, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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
9/30/2012	\$ 12,000	18%	\$ 73,000

Funded Status and Funding Progress

As of September 30, 2012, the actuarial accrued liability for benefits was \$73,000, 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, 2012, the monthly fee was approximately \$91,000. 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, 2012, 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>\$ 3,446,788</u>	<u>\$ 3,102,109</u>	<u>\$ 344,679</u>

CITY OF CRYSTAL RIVER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 \$1,089,158 for these services during fiscal year 2012 and is contracted for \$1,089,158 during fiscal year 2013.

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, 2012, which collectively comprise the City of Crystal River, Florida's basic financial statements and have issued our report thereon dated June 4, 2013. 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

Management of City of Crystal River, Florida, is responsible for establishing and maintaining effective 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 of Crystal River, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crystal River, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses [2012-01, 2012-02].

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

Honorable City Council
City of Crystal River, Florida

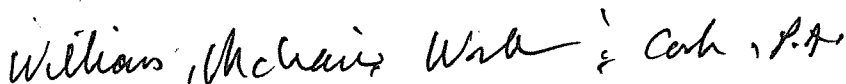
Compliance and Other Matters

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 4, 2013.

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.



Inverness, Florida
June 4, 2013

INDEPENDENT AUDITOR'S 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, 2012. 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.

Honorable City Council
City of Crystal River, Florida

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, 2012.

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, McCrain, Work & Cook, P.C.

Crystal River, Florida
June 4, 2013

CITY OF CRYSTAL RIVER, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Grantor/Pass-Through Program Title	CFDA Number	Contract Number	Program or Award Amount	Expenditures
<u>Federal Awards</u>				
U.S. Department of Environmental Protection				
Passed Through the Florida Department of Environmental Protection				
Capitalization Grants for State Revolving Funds	66.458	WW090200	\$ 3,584,188	\$ 2,145,114
Total Federal Awards			\$ 3,584,188	\$ 2,145,114

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, 2012. 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, 2012

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 an 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, 2012 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

Reference
Number
2012-01

Criteria: An integral part of any internal control system is proper reconciliation of details being generated by the accounting system to the appropriate accounting records.

CITY OF CRYSTAL RIVER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB
CIRCULAR A-133
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (CONTINUED)

PART B – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reference
Number
2012-01 (Continued)

Criteria:
(Continued) This process commonly involves, but is not limited to, the following procedures:

1. A thorough review of working trial balances.
2. Reconciliations of reports to and from outside agencies to the accounting detail.
3. Reconciliations of detail account information to the control account on a regular basis.
4. Analysis of the propriety of the treatment of transactions and accounts in the financial records to ensure compliance with generally accepted accounting principles.

Condition: During our audit for the year ended September 30, 2012, we noted control deficiencies, significant deficiencies, and material weaknesses as it relates to the above process. Proper account reconciliation for fixed assets was not prepared.

Effect: During tested we noted that the depreciation schedule did not agree to the general ledger accounts as certain assets that were on the schedule were not recorded to the general ledger, while certain assets that had been recorded to the general ledger had not been recorded on the depreciation schedule; also, through audit procedures, we noted several instances of items that had been expensed that should have been capitalized per the City's fiscal policies and procedures manual. We also noted that assets that belonged to the proprietary funds were recorded to the General Fixed Assets Account Group. Significant audit adjustments were required in order to reconcile the financial records with the listing.

Recommendation: While we understand the factors contributing to the control deficiencies, significant deficiencies, and material weaknesses; education, reconciliation and oversight will reduce the likelihood of the situation reoccurring.

CITY OF CRYSTAL RIVER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB
CIRCULAR A-133
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (CONTINUED)

PART B – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reference
Number
2012-01 (Continued)

Recommendation:
(Continued) Furthermore, the City should perform a physical inventory annually and adjust the accounting records accordingly in order to accurately account for current year additions and disposals and reconcile the accounting records to the fixed asset schedule.

Action Taken: See Corrective Action Plan submitted by the City.

Reference
Number
2012-02

Criteria: An integral part of any internal control system is following the policies and procedures outlined by the organization. In regards to the recording of journal entries this process commonly involves, but is not limited to, the following procedures:

1. Proper support for the journal entry.
2. Posting of the entry to the general ledger by an accounting staff member other than the Finance Director.
3. Proper review of the journal entry by the Finance Director.
4. Signature of the staff member proposing and posting the entry as well as an approval signature by the Finance Director on the prescribed form provided by the organization.

Condition: During our audit for the year ended September 30, 2012, we selected a random sample of 20 journal entries as part of our internal control testing and noted several instances of material weaknesses. Of the 20 entries selected we noted that 17 of them did not have any support provided and none of them had any of the required signatures noted in the criteria.

CITY OF CRYSTAL RIVER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB
CIRCULAR A-133
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (CONTINUED)

PART B – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reference
Number
2012-02 (Continued)

Condition:
(Continued) We also noted 5 entries which the Finance Director proposed and entered into the accounting system, which circumvents the controls outlined in the policies and procedures manual.

Effect: This condition increases the risk that journal entries that are erroneous or for an unauthorized purpose could be recorded in the City's general ledger and not be detected.

Recommendation: While we understand the factors contributing to the material weaknesses; education, oversight will reduce the likelihood of the situation reoccurring. Furthermore, the City should adhere to the policies and procedures manual in regards to the preparation and posting of journal entries.

Action Taken: See Corrective Action Plan submitted by the City.

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

No findings in the current year.

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, 2012

	<u>SPECIAL REVENUE</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>PUBLIC SAFETY EXPANSION</u>	<u>IMPACT FEES</u>	
<u>ASSETS</u>			
Cash	\$ 15,007	\$ -	\$ 15,007
Due from other governments	-	3,867	3,867
TOTAL ASSETS	<u>\$ 15,007</u>	<u>\$ 3,867</u>	<u>\$ 18,874</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 3,867	\$ 3,867
Fund balances:			
Restricted for fire safety projects	15,007	-	15,007
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,007</u>	<u>\$ 3,867</u>	<u>\$ 18,874</u>

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, 2012

	SPECIAL REVENUE		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PUBLIC SAFETY EXPANSION	IMPACT FEES	
REVENUES:			
Impact fees	\$ 759	\$ -	\$ 759
Total revenues	<u>759</u>	<u>-</u>	<u>759</u>
EXPENDITURES:			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	759	-	759
Fund balances, beginning of year	14,248	-	14,248
Fund balances, end of year	<u>\$ 15,007</u>	<u>\$ -</u>	<u>\$ 15,007</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, 2012

ASSETS

Cash	\$ 626,969
Investments	14,000
Other assets	<u>6,640</u>
TOTAL ASSETS	<u>\$ 647,609</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 10,462
Due to other funds	<u>-</u>
Total Liabilities	<u>10,462</u>

FUND BALANCE

Unrestricted	<u>637,147</u>
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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	1,544,694
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Net assets of discretely presented component unit (page 11)	<u>\$ 2,181,841</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, 2012

REVENUES:

Taxes	\$ 424,752
Interest	2,614
Other	3,397
Total revenues	<u>430,763</u>

EXPENDITURES:

Current:	
Developmental services	28,627
Salaries and wages	38,610
Capital outlay	
Developmental services	316,305
Total expenditures	<u>383,542</u>

Excess of revenues over expenditures 47,221

OTHER FINANCING USES

Transfers out (15,450)

Net change in fund balance 31,771

Fund balance, beginning of year 605,376

Fund balance, end of year \$ 637,147

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

Net change in fund balance - discretely presented component unit \$ 31,771

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	316,305
Depreciation expense	(21,565)

Change in net assets of discretely presented component unit (page 12) \$ 326,511

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, 2012

Bond Year Beginning October 1,	Principal	Interest	Total Annual Debt Service
2012	\$ -	\$ 11,925	\$ 11,925
2013	351,000	124,173	475,173
2014	359,000	115,736	474,736
2015	368,000	107,096	475,096
2016	377,000	98,253	475,253
2017 - 2021	2,025,000	350,852	2,375,852
2022 - 2025	1,803,000	98,229	1,901,229
	<u>\$ 5,283,000</u>	<u>\$ 906,264</u>	<u>\$ 6,189,264</u>

CITY OF CRYSTAL RIVER, FLORIDA
 SCHEDULE OF REVENUE BOND COVERAGE -
 WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2002
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Fiscal Year	Gross Revenue	Operating Expense(1)	Net Revenue Available for Debt Service	Maximum Debt Service	Coverage Ratio(2)
2012	\$ 4,890,241	\$ 1,400,762	\$ 3,489,479	\$ 536,048	651%

(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.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA,
OFFICE OF THE AUDITOR GENERAL

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, 2012, and have issued our report thereon dated June 4, 2013.

We conducted our audit in accordance with auditing standards accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that could have a direct and material effect on each to each Major Program and on Internal Control Over Compliance in Accordance with OMB A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 4, 2013, 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:

Section 10.554(1)(i)1., Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General 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 complied with Section 218.415, Florida Statutes.

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

Honorable City Council
City of Crystal River, Florida

Section 10.554(1)(i)4., Rules of Auditor General require that we address violations of provisions of contracts and grant agreements or abuse 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.

Section 10.554(1)(i)5., Rules of the Auditor General require, based on professional judgment, the reporting of the following matters that are inconsequential to the 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.

Section 10.554(1)(i)6., Rules of the Auditor General 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, the primary government, was incorporated in 1903 by Senate Bill No. 603 under Article VIII, Section 2 of the Constitution of Florida. The City's component unit, the City of Crystal River, Florida Community Redevelopment Agency, was created by City Ordinance No. 88-0-19 as authorized by Part III of Chapter 163, Florida State Statutes.

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.

Section 10.554(1)(i)7.b., Rules of the Auditor General require that we determine whether the annual financial report for the City of Crystal River for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)(7)c. and 10.556(7) Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Crystal River, Florida'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is 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 the City of Crystal River, Florida's management, the City Council, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

William McClain, CPA, P.A.

Inverness, Florida
June 4, 2013



City of Crystal River

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

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

April 4, 2013

To the Auditor General, State of Florida

This letter represents our required response and follow-up to audit findings under Section 10-538(12), Rules of the Auditor General, State of Florida, for the year ended September 30, 2012.

Management's Responses and Corrective Action

Finding 12-01 Proper account reconciliation for fixed assets. In January, 2012, the City made a transfer in accounting software. A part of this process was the Fixed Assets. While we have made the transition and are now comfortable with the process that is involved, there was some errors made on the part of the Finance Director that were not found until the audit was performed. Steps have been taken to correct these errors, and a reconciliation of the fixed assets to the General Ledger will be done prior to the audit being conducted in the future. Our last physical inventory was done in 2009. We will look at having another inventory completed to make sure all assets are accounted for properly.

Finding 12-02 Lack of support for Journal Entries. Journal entries are prepared and entered by the Accounting Clerk. This person filling this position was new during the fiscal year, and was not familiar with the procedures. She has been made aware of the practices that must be followed, and is now following our guidelines. All journal entries are prepared and given to the Finance Director for approval prior to being entered. The Finance Director verifies that the information is correct, and that sufficient documentation is included to back up the entry being made.

City of Crystal River, Florida

Andrew R. Houston
City Manager