



City of Crestview Hills, Kentucky

Comprehensive Annual Financial Report For year ending June 30, 2009



**CRESTVIEW
HILLS**
KENTUCKY



Celebrating a great place to live

2009 OUTING



Crestview Hills Town Center

CITY OF CRESTVIEW HILLS, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

Prepared by:
C. R. Wirthlin
City Treasurer

CITY OF CRESTVIEW HILLS, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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December 19, 2009

To: the Citizens of the City of Crestview Hills,
the Honorable Mayor and,
Members of the City Council:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with implementation of Government Standards Board (GASB) Statement 34, and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Crestview Hills for the fiscal year ended June 30, 2009.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Crestview Hills management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rankin, Rankin, and Company, Certified Public Accountants, have issued an unqualified (clean) opinion on the City of Crestview Hills financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction therewith.

The City provides a wide range of services including public works, engineering, maintenance of dedicated streets and rights-of-way, recreational activities, and general administrative functions. Contracted services include police and fire protection, city-wide landscaping maintenance of median strips and right-of-way plantings, animal control services, basic and advanced emergency medical service, building, zoning, and code enforcement.

Most of the aforementioned are accounted for through the General Fund, although a separate Capital Projects Fund is maintained mostly for infrastructure projects. Financial statements of governmental organizations differ somewhat from the statements prepared for profit-oriented organizations in that governmental organizations prepare statements on a fund basis. In governmental accounting, the term "fund" is used to identify a separate accounting entity with its own assets, liabilities, revenues, or expenses, as appropriate.

Profile of the Government

The City of Crestview Hills, incorporated in 1951, is located in the Northern most tip of Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,709 (est.7/1/2008 by U.S. Census) and a day population of approximately 10,500. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Crestview Hills has operated under the Mayor-Council form of government since 1951. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator, City Engineer, and City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the head of Public Works. The council is elected on a non-partisan basis. Council members serve two-year terms while the mayor serves a four-year term.

The annual budget serves as the foundation for the City of Crestview Hills financial planning and control. All committees of the City are required to submit requests for appropriation to the City Administrator on or before the second Thursday in April. The City Treasurer then uses these figures as the starting point for developing a proposed budget. The final budget proposal is submitted to the Finance Committee for review before going to City Council for first reading in May. Council is required to hold public hearings on the proposed budget and adopt a final budget by no later than June 30, the close of Crestview Hills fiscal year. Fund, function (i.e. Public safety or general government), and department (i.e. Police, Fire) determine the order of the appropriated budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

Local Economy

Crestview Hills is located eleven miles southeast of Cincinnati. The City is distinguished by its comfortable residential neighborhoods, a four-year liberal arts college (Thomas More), two country clubs, and a “lifestyle center,” the Crestview Hills Town Center. Crestview Hills’ economy is mostly service based. The four key economic areas vital to the City’s tax base are: the service industry, medical profession, country club, and the town center area.

The City has been very fortunate in the development of the Research Park area along Thomas More Parkway. There is one vacant lot and several undeveloped lots with much potential. The Research Park is within ten miles of the Greater Cincinnati/Northern Kentucky Airport with easy access to I-75, I-71, and I-275. Any Northern Kentucky city and downtown Cincinnati is a few minutes away, yet this location is suburban and residential in nature. The Research Park houses day spas, specialty physicians, attorneys, banks, country clubs, a college, a gymnastics training facility, children’s care facilities, and corporate offices in an aesthetically pleasing environment with possibly the lowest overall tax rate in the area.

The Northern Kentucky economy has felt the same sharp downturn this fiscal year, in correlation with the national economy. The City's economy largely depends upon the service industry as it relates to the medical and other professional services. Fiscal year 2009 saw some businesses move out of the City, a few close the doors, and others restructure their employee base. Overall, the Research Park seems to have weathered the financial declines to this point.

The City expects payroll tax from businesses located in the Research Park and within the Crestview Hills Town Center to level off in the coming fiscal year as the City and local developers continue to market Crestview Hills as a premiere business location. Within fiscal year 09, most activity consisted of termination or restructuring of businesses in the Research Park and the Crestview Hills Town Center. In October, 2008 the addition of a banking branch and in early 2009 the replacement of three stores in the Town Center has assisted in the slight bolstering of payroll tax revenue, which increased one percent over last fiscal year.

Domiciled businesses account for 89.93% of payroll taxes received, with transient businesses accounting for the balance. The number of domiciled accounts grew from 439 to 484 within the fiscal year, although 184 accounts had no activity. (The number of accounts can be misleading as an economic indicator of how businesses within the City are faring, as some transient businesses list the temporary job site with Crestview Hills as the primary business address.)

The net profit tax collected within the fiscal year was 13% higher than the previous fiscal year with the majority of the increase being attributed to federal extensions that were filed in FY 08 but collected within FY 09 and accrued late filers. Domiciled businesses make up 86.2% of the amount collected for net profit tax.

The outlook for payroll and net profit collections for FY10 is anticipated to remain steady as Crestview Hills looks forward to continuing a positive working relationship with all potential and current businesses in the Research Park and Shopping Center zones.

The City should remain cautious in its long term financial and capital improvement planning as the economy slowly recovers. Most of the open land area within Crestview Hills has been developed and future growth may result in slow, but steady increases in taxes.

Residential real estate has experienced low sales activity over the last year and a half, mirroring the national economy. Commercial real estate has been low as well; however, it is anticipated that as the local job market improves, commercial real estate should improve.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund (38% of total general fund revenues) has exceeded policy guidelines set by Council by recommendation of the Finance Committee for budgetary and planning purposes (i.e., between 15 and 20 percent of total general fund revenues). With a number of potential infrastructure projects on the horizon, the City will remain diligent in identifying and ensuring adequate financial reserves to meet future needs.

The City Council has recently been formed a "Private Street Committee" which is meeting to "creatively formulate a solution whereby the City can legally ease the financial burden of street and storm water system repairs on the condominium owner." It is anticipated that any solutions will go

through the Mayor and the Finance Committee, who will review Crestview Hills' strategic plan and update policies and forecasts as necessary. City involvement in the future maintenance of these streets could create a financial burden that might necessitate additional taxes or fees, or a reallocation of the current budget distributions.

Another related maintenance item that has been discussed previously is private ponds within subdivisions. The City Council previously considered participation in the maintenance of several ponds when requested by homeowners, but decided that the City could not expend public tax dollars on private property unless a general public purpose was established. Since stormwater management in the MS4 is being assumed by Sanitation District # 1 of Northern Kentucky, this issue will, in the future, be discussed in the context of stormwater management and water quality.

Repairs to the six ponds could include dredging accumulated silt and debris, hauling silt and debris away, reinforcing dam structures and any nearby piping or shore rock and could run, in total, between \$175,000 and \$250,000. A private trust, who oversees the ponds, has recently contracted minor work to be done on one or two of the ponds. Certainly any future City participation would incur costs that are not currently anticipated in the City's capital plans.

As part of the strategic plan, the City Building, which houses the Administration, Public Works, Police, and an events room, was granted an occupancy permit and the move took place July 26, 2006. The City Building should accommodate the City's commercial and residential demographics for the foreseeable future. Funding for the project came from a twenty year general obligation public projects bond issuance that took place on October 11, 2005. By funding the project in this manner and keeping the reserved for Capital Outlay investments intact, the City can, essentially, borrow the funds interest-free at the current, or higher, investment rates. However, it is important that the City remain diligent in maintaining adequate reserves to meet the bond call date of 2015, if the Council chooses to pay off the bonds at that time.

Since the completion of the Town Center and the City Building, in addition to initial construction costs (2.7 million), Crestview Hills has incurred additional operating costs to staff, operate, and maintain the new facilities, as well as increased contractual obligations for police, fire, ambulance, and advanced life support services. Those costs did rise in FY 09, although it is difficult to ascertain a direct or indirect correlation of some expenses, and it is anticipated to continue to increase annually tied to, minimally, the rate of inflation.

Continued updating of office furniture and equipment was on the list for fiscal year 2009, which included, four new computer workstations and updating of old software, and maintaining workstations and the server. A new network server which was purchased in May, 2006, should be functional for at least one to two more years. Crestview Hills' network has six users and will be able to accommodate up to ten users.

Beautification of the City has been a priority for several years. Crestview Hills has planted numerous trees throughout and has landscaped high-profile right of ways with a variety of perennial flowers, ornamental grasses, and decorative bushes in pre-determined spots. The Public Works department and an outside contractor maintain the islands. It is expected that over the course of the next few years the City will periodically replace or enhance the vegetation in the islands. The City did not experience major repercussions from the drought of 2007, the major ice storm February 2008, or the Hurricane Ike windstorm of September 2008, although the City's current reserves take into account

unanticipated and uninsured losses to City maintained landscaping. Please see page 20 in the Management Discussion and Analysis for additional information on funds set aside for emergencies.

There were no funds expended in FY 09 for median strip beautification. Another planting is planned on Dixie Highway in front of the Town Center in FY 10 or 11. The Kentucky Transportation Cabinet actually owns the medians on which the plantings have been installed and retains the right to excavate the area for road widening or repair projects.

During FY09 and beyond, the City will continue to focus on maintaining infrastructure at an 80% level. Resurfacing of Warwick Court, Druid Lane and Rossmoyne Avenue in the Old Crestview subdivision and East College Park Drive in the College Park subdivision occurred within this fiscal year. Extensive repairs and resurfacing of sections of Lookout Farm Drive and Rose Terrace also were completed. Other upkeep, including the curbs, gutters, catch basins, and sidewalks are under regular review.

Resurfacing of Thomas More Parkway was mostly completed in fiscal year 08 and finished in fiscal year 09. Since Thomas More Parkway is the main link to the many businesses located in our Research Park and St. Elizabeth Hospital in Edgewood, it is imperative the road be repaired or resurfaced on a regular schedule.

Bids were taken and awarded on the installation of a traffic signal at the intersection of Legends Way and Thomas More Parkway in April 2009; however due to delays, the project extended into fiscal year 10, and to date still has not yet been completed. Other major street projects were bid at the end of fiscal year 09 and have been awarded and completed in fiscal year 10.

Crestview Hills Public Works committee and the Mayor have also been working with the Kentucky Department of Transportation and various State Officials to widen Turkeyfoot Road from Villa Madonna Drive (on the Thomas More College campus) to the entrance ramp to I-275 east and to add another left turn lane from northbound Turkeyfoot Road onto the entrance ramp to I-275 west. The widening should ease congestion and move traffic more effectively through this corridor. Governor Ernie Fletcher presented monies dedicated to this in FY 08 and it is anticipated the project will begin in spring of 2010 and continue into summer. All construction will be overseen by the Kentucky Transportation Cabinet.

Monies were also granted from the Kentucky Transportation Cabinet through the Congestion Mitigation Air Quality program toward the end of FY 07 for a project that will install a sidewalk from Dudley Road to the main entrance of the Crestview Hills Town Center. It is projected to be completed within the 2010 calendar year.

For future informational purposes, Crestview Hills Mall Road was officially changed to Town Center Boulevard on January 1, 2009.

Other information

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these

objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of State and County financial resources, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City.

As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's annual audit for the fiscal year ended June 30, 2009 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General and Capital Projects Funds are included in the annual appropriated budget. The adopted budget for fiscal year 2008 - 2009 was prepared in accordance with accounting principles generally accepted in the United States of America.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested in certificates of deposit, consistent with the wishes of City Council as recommended by the Finance Committee.

The City's investment policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety, (2) liquidity and (3) yield. The basic premise underlying the City's investment policy is to ensure that money is always available when needed while at the same time reaping the highest and best return. Accordingly, deposits were either insured by Federal depository insurance or collateralized.

The City joined the Kentucky League of Cities Municipal Risk Management Association in November 1997 to provide for the transfer of risk for general liability. The limit of insurance provided on June 30, 2009 was \$4 million, combined single limit occurrence. The KLC Municipal Risk Management Association is a pool of cities that have formed an insurance group. Each member city pays into the pool annual deposits. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize loss. Additionally, the City has all risk property insurance as indicated on a list of scheduled property and carries environmental liability insurance.

The City enrolled in the Association's Workers' Compensation Insurance Program in April 1991. The coverage provides statutory benefits for all City employees plus \$4 million employer's liability.

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverage.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crestview Hills for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the seventh consecutive year that the government has received this prestigious award. To qualify for a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, pronouncements of the Governmental Accounting Standards Board, and applicable legal requirements.

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

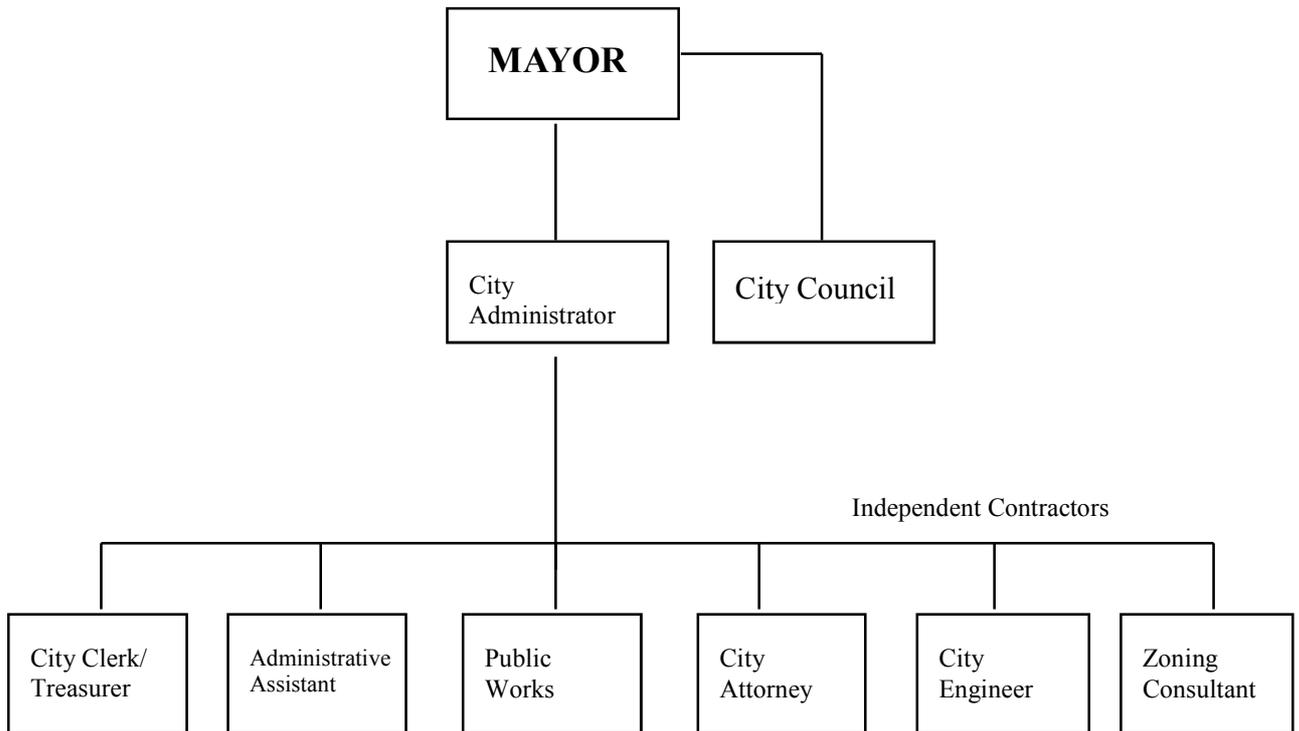
The preparation of this report would not have been possible without the efficient and dedicated service of the finance staff and appreciation is expressed to those who assisted and contributed in its completion. Credit also must be given to the Mayor, City Administrator, and governing council for their support in maintaining the highest standards of professionalism in the management of Crestview Hills finances.

Respectfully submitted,



C.R. Wirthlin,
City Clerk/Treasurer

City of Crestview Hills Organizational Chart



City of CRESTVIEW HILLS

LIST OF PRINCIPAL OFFICIALS

Mayor - Council Form of Government

CITY COUNCIL

PAUL W. MEIER
Mayor

FRANK B. SOMMERKAMP, Jr.
Mayor Pro Temp

DAVID KRAMER
Council Member

DAVID THIEL
Council Member

RALPH LAIRD
Council Member

THOMAS MOSER
Council Member

COLLEEN COLLINS-BRIGHT
Council Member

CITY ADMINISTRATION

RICHARD LUNNEMANN
City Administrator

C. R. Wirthlin, City Clerk/Treasurer
Judy Rae Cox, Administrative Assistant
Mary Ann Stewart, City Attorney
Mike Wong (NKAPC), Building Inspector
Walter Blair, Zoning Consultant
Jim Connelly, Public Works Director
Jim Berling, City Engineer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Crestview Hills
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Crestview Hills, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of, and for the year ended June 30, 2009, which collectively comprise the City of Crestview Hills' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Crestview Hills, Kentucky's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of June 30, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the City of Crestview Hills, Kentucky'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.

The Management's Discussion and Analysis and required budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Crestview Hills basic financial statements. The other supplementary information, the introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

RANKIN, RANKIN, & COMPANY

**Ft. Wright, Kentucky
December 18, 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Crestview Hills, Kentucky, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Crestview Hills, Kentucky for the year ended June 30, 2009. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-7 in this report.

FINANCIAL HIGHLIGHTS

- Revenues decreased \$98,998 over the prior year due to reduction in investment interest and a drop off from the fines and forfeitures, mostly due to a legal settlement that was collected in FY08.
- The total cost of all City expenses decreased \$315,293 from the prior year. The decrease can be attributed to no major resurfacing projects (such as Thomas More Parkway \$192,653 in FY08) in the reporting fiscal year.
- Street project spending decreased \$317,770 as fewer major infrastructure projects were completed.
 - FY 10 will see the completion of the traffic light installation at Legend's Way and Thomas More Parkway, resurfacing of Rose Terrace, commencement of the Turkeyfoot Road and Dixie Highway projects, on which Crestview Hills is working with the Kentucky Transportation Cabinet, and the postponement of resurfacing Horsebranch Road with the City of Edgewood until FY 11.
- The General Fund reported a net change in fund balance of \$243,054 and the over all fund balance was increased by the same amount.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to 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, the increases and decreases in net assets are one indicator of whether the City's financial position is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents 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 cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g. uncollected revenue and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees, and intergovernmental activities which are considered governmental activities from those functions that are intended to cover all or a significant portion of their costs through user fees and charges for business-type activities. The governmental activities include most

of the City's basic services. These include, but are not limited to police, fire, street maintenance, recreation, and general administration.

The government-wide financial statements can be found on pages 22 and 23 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 and objectives. Some funds are required to be established by State law. However, the City Council can establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City of Crestview Hills uses only governmental 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 how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for the 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 governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Crestview Hills maintains two individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and change in fund balances for the funds, all of which are considered to be major funds.

The basic governmental financial statements can be found on pages 24-26 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 27-35 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City adopts an annual appropriated budget for its general fund. The budgetary comparison schedules can be found on pages 36-37 of this report and a related general fund budget analysis can be found on page 21 within the Management Discussion and Analysis report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Crestview Hills' total assets exceeded liabilities by \$5,247,289 at the close of the 2009 fiscal year. By far the largest portion of the net assets reflects investment in capital assets (e.g., land, buildings, machinery,

equipment, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending. Although the City of Crestview Hills' 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. The government-wide financial statements can be found on pages 22 and 23 of this report.

At the end of the current fiscal year, Crestview Hills is able to report positive balances in net assets. The same held true for prior fiscal years. Current and other assets overall dwindled due to higher depreciation totals as a result of re-evaluation of infrastructure. It was found that in several cases, blacktop wear had accelerated and the road had to also have an acceleration of depreciation. It is unknown why the newer resurfacing projects do not seem to have the same wear cycle as projects done at least ten years ago. Totals show the peak in net assets came in 2006 resulting from majority completion of the City Building.

However, totals in unrestricted net assets have diminished significantly as a result of the increase in depreciation expense, accrued interest on long-term debt, the timing of recognizable revenues, amortization of bond issuance costs, and expenses that do not require the use of current resources.

	2006	2007	2008	2009
Current and other assets	\$ 4,510,365	\$ 3,777,127	\$ 3,722,435	\$ 3,962,156
Capital assets	4,364,928	4,621,179	4,113,862	3,624,250
Total assets	<u>\$ 8,875,293</u>	<u>\$ 8,398,306</u>	<u>\$ 7,836,297</u>	<u>\$ 7,586,406</u>
Long term liabilities	2,475,472	2,470,000	2,382,982	2,279,864
Other liabilities	353,780	34,211	67,427	59,253
Total liabilities	<u>\$ 2,829,252</u>	<u>\$ 2,504,211</u>	<u>\$ 2,450,409</u>	<u>\$ 2,339,117</u>
Net Assets				
Invested in capital assets, net of related debt	1,799,928	2,151,179	1,743,862	1,359,250
Restricted for capital projects	677,798	-	-	-
Unrestricted	3,568,315	3,742,916	3,642,026	3,888,039
Total net assets	<u>\$ 6,046,041</u>	<u>\$ 5,894,095</u>	<u>\$ 5,385,888</u>	<u>\$ 5,247,289</u>

Governmental Activities. Governmental activities decreased the City's net assets by \$138,599 accounting for 100 percent of the total decrease. Key elements of the decrease are as follows:

City of Crestview Hills Changes in Net Assets				
Governmental Activities				
	2006	2007	2008	2009
Revenues:				
<u>Program Revenues:</u>				
Charges for services	\$ 16,018	\$ 13,705	\$ 18,194	\$ 29,580
Capital grants and contributions	388,423	93,625	92,741	52,492
<u>General Revenues:</u>				
Property taxes	501,212	528,588	527,141	573,494
Other taxes	1,500,519	1,560,881	1,703,333	1,730,165
Other revenues	173,011	220,540	163,203	100,638
Total revenues	<u>\$ 2,579,183</u>	<u>\$ 2,417,339</u>	<u>\$ 2,504,612</u>	<u>\$ 2,486,369</u>
Expenses:				
General government	407,071	605,919	611,723	593,327
Public Safety	736,596	987,138	985,510	952,783
Public works/streets	1,271,896	844,038	1,242,877	922,688
Community development	42,785	36,125	42,609	68,223
Interest on Long Term Debt	29,353	96,065	130,100	87,947
Total expenses	<u>\$ 2,487,701</u>	<u>\$ 2,569,285</u>	<u>\$ 3,012,819</u>	<u>\$ 2,624,968</u>
Increase or decrease in net assets before transfers	91,482	(151,946)	(508,207)	(138,599)
Transfers	-	-	-	-
Increase/decrease in net assets	<u>91,482</u>	<u>(151,946)</u>	<u>(508,207)</u>	<u>(138,599)</u>
Net assets prior year	5,954,559	6,046,041	5,894,095	5,385,888
Net assets current year	<u>\$ 6,046,041</u>	<u>\$ 5,894,095</u>	<u>\$ 5,385,888</u>	<u>\$ 5,247,289</u>

Governmental Activities: Revenues

Property tax rates decreased in FY09. A small medical building on Chancellor Drive and three apartment buildings, which are now being sold as individual condominium units, were fully assessed as of January 1, 2009 but only partially assessed in 2008. This accounts for the modest increase in property tax revenue as does payment of some delinquent taxes.

Other taxes include payroll tax whose main source of current increase is from the construction of an eight story headquarter building for Columbia Sussex in October, 2007, at which time the building was slowly staffed with various professional occupations that may be similar in pay structure to that accumulated through the construction process. The company is fully staffed at the Crestview Hills location, and the company has obtained clients for lease space located within the building. A mild increase can be attributed to the additional jobs created at the Crestview Hills Town Center through shops and restaurants that have replaced others who have closed and the construction and full staffing of a Central Bank branch. The payroll tax rose slightly in FY 09 due to the aforementioned professional and medical offices that submitted withholdings for the first time. It is uncertain at this time the impact the continuing national economic recession will have on our service providers based in the Research Park and how it will affect the payroll tax collections; although it is known that businesses in Crestview Hills have restructured within the last year.

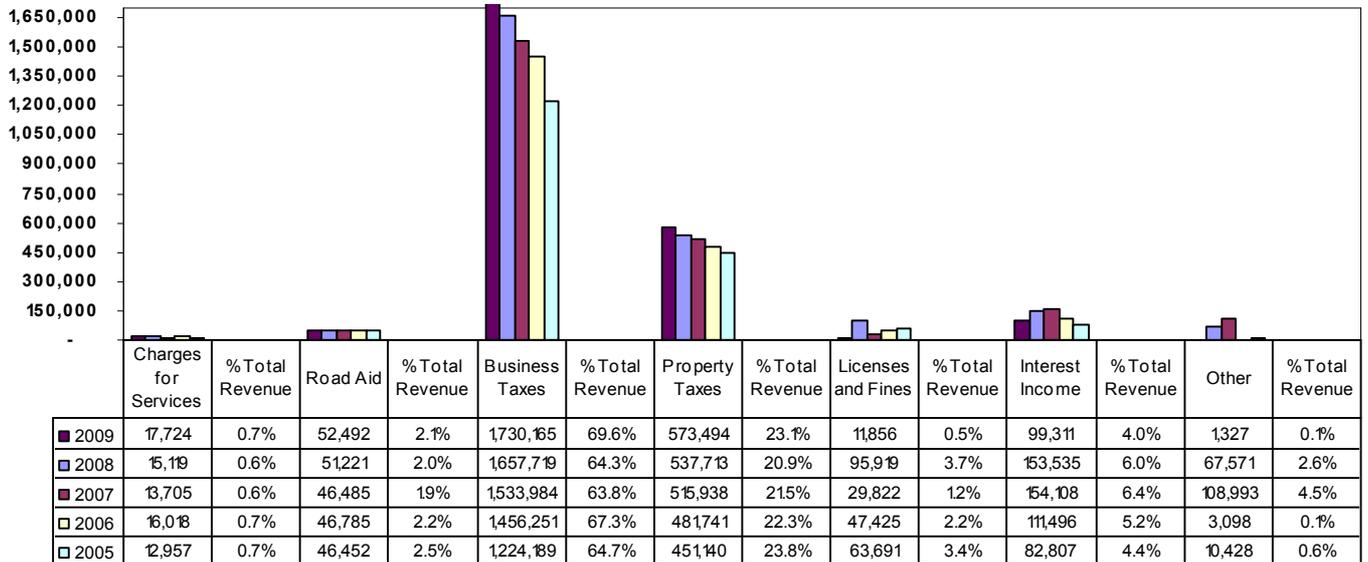
Governmental Activities: Expenses

Public works and streets include capital projects on infrastructure, which extend or renew the life of the street, joint projects with other governmental entities, and any repairs of the City Building.

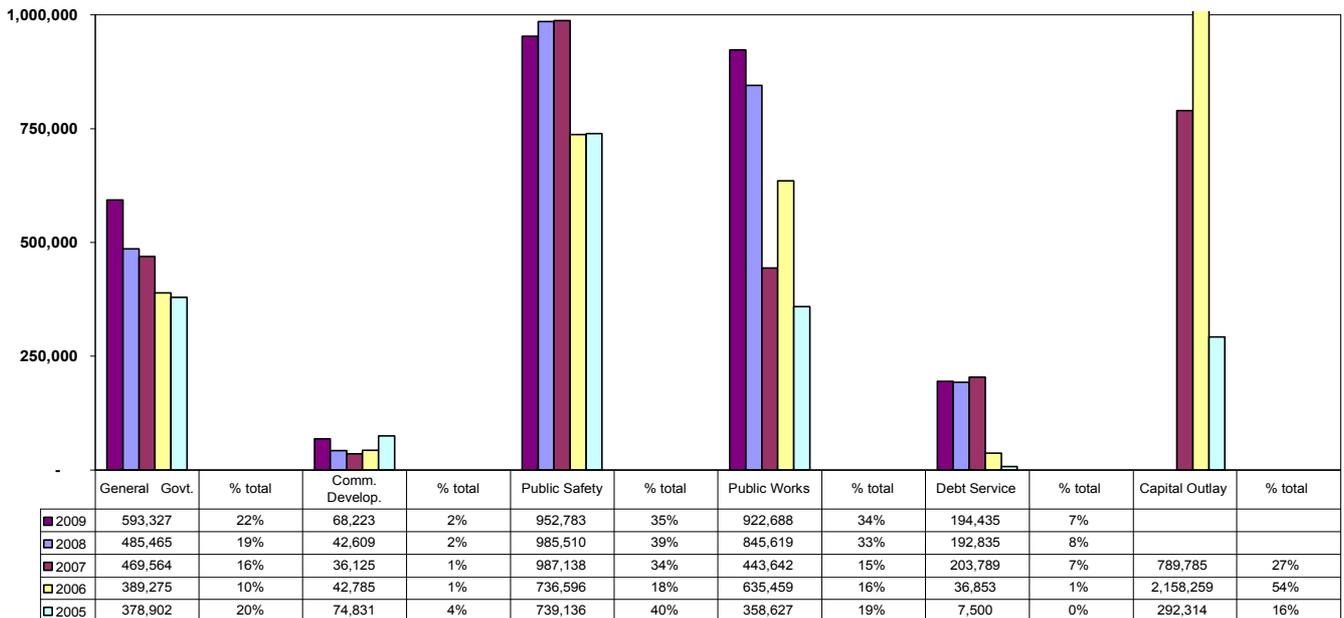
The size of The City of Crestview Hills generally prohibits a one to one relationship between departmental expenses and revenues. Most revenue received comes from business taxes, licenses, and general property taxes and is used to fund the expenses of general government (those expenses related to administrative staffing, public distribution of information, compliance with state and federal regulations public relations, and elected officials), public safety (police, fire, animal control, and emergency medical), streets or public works (staffing, City Building maintenance and repair, street maintenance and repair, equipment, snow removal, engineering fees, public utilities, and building supplies), capital projects (performed on infrastructure or the City Building that extends the useful life thereof, and is generally depreciable in nature), and debt service (principal and interest on the general

obligation revenue bonds issued for the construction of the City Building in October, 2005). The following charts best illustrate the trends in income and expenses over a period of five years.

Sources of Revenue by Dollar Amount and Percentage of Total Revenue



Sources of Expenses by Dollar Amount and Percentage of Overall Expenses

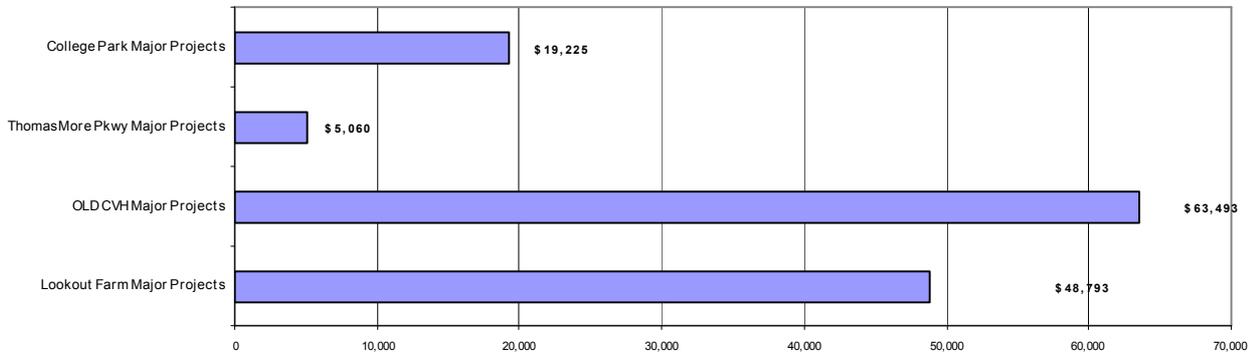


FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$3.85 million, which is an increase of \$243,054 from last year. During the year, \$142,577 was transferred from the general fund to the capital projects fund. It is anticipated that the streets category outflows will begin to decrease as many resurfacing projects have been completed, except those in which intergovernmental cooperation is necessary.

General Fund Transfers Out:

- \$142,577 to the Capital Projects.



- The General Fund had an end of year unreserved balance of \$942,991, compared to \$803,823 at FY 08 year's end and \$861,375 at FY 07 year's end.
- The Reserved for Capital Outlay Investment was augmented by the amount of interest earned: \$56,472. This fund was created as a reserve for future capital projects, so property or business tax rates would not have to be increased to create funding. However, a decision was made in July, 2005 to hold this money in reserve and finance the City Building project with general obligation bonds. If this reserve remains intact for the entire twenty year bond issuance, the anticipated amount of interest earned on this reserve would pay for accumulated interest on the bond issuance.
- The Reserved for Emergencies Investment remains untouched. This fund was created as a cash flow reserve in the event of a major natural disaster or severe economic downturn. It is recommended that every city have a reserve on hand that would allow for a minimum of three months expenditures, including expenses relating to a catastrophe such as overtime, response tracking, recovery efforts, grant management, FEMA records needed, equipment replacement, etc. Currently the City of Crestview Hills is maintaining at least a three month reserve and is researching pre-planning policies for catastrophic emergencies.
- Reserves for Public Works projects have shrunk as City infrastructure has worn to life expectancy or curbs and gutters have broken apart in several places and work has been and will continue to be done on these to maintain them at an 80% level. In FY 09, patching was performed on Rose Terrace, the old Crestview subdivision had work completed on several streets, East College Park Drive and sections of Lookout Farm Drive were resurfaced. There is also installation of a traffic signal at the intersection of Thomas More Parkway and Legends Way that was scheduled for spring, 2009; however; it has been delayed until December 2009. Funds will be initially released to beautify the median in front of the main entrance to the Crestview Hills Town Center during FY10 or 11, and should be replaced, with grant reimbursement. Completion of aforementioned projects should largely reduce the reserves for public works projects. In the future, public works capital projects, maintenance, and repairs should not exceed that which is available for the current year budget.

GENERAL FUND BUDGET ANALYSIS

The original budget passed June 2008, was amended in June 2009 to reflect that external funding of \$172, 723 was not used, slight increases to the payroll tax, net profit, and municipal road aid revenue line items, \$37,104 savings in general government, \$77,921 savings in public safety, and a deferred traffic light expense of approximately \$76, 450. Overall project and expense savings and increases in revenue boosted budgeted general fund carryover by \$153,673.

CAPTIAL ASSET AND DEBT ADMINISTRATION

The five-year Capital Improvement Plan includes spending approximately half a million dollars through FY11 by working with the Kentucky Transportation Cabinet in the widening of Turkeyfoot Road and the addition of a sidewalk on the eastern side of Dixie Highway from Dudley Road to, at minimum, the main entrance to the Crestview Hills Town Center. It is anticipated that eighty percent will be reimbursed by the Commonwealth of Kentucky soon after project completion.

At June 30, 2009, the City had \$3.6 million invested in net capital assets. Information on capital asset policy can be found in the Notes to Financial Statements – NOTE A – Summary of Significant Accounting Policies, *Capital Assets* on pages 29 and 30. Information on capital assets and depreciation are located on page 32, NOTE D – Capital Assets and Depreciation.

DEBT

At June 30, 2009, the City had \$2,265,000 in outstanding general obligation bonds compared to \$2,370,000 in the prior year, a decrease of \$105,000. The average annual debt service is an estimated \$194,000.

It is the recommendation and intent of the Crestview Hills Finance Committee to purchase the bonds that are callable in 2015 using two certificates of deposit currently assigned for capital outlay purposes to significantly reduce debt obligations on future councils.

Additional information on the bonds and maturity schedules can be found in the Notes to Financial Statements – NOTE E – Long Term Debt on pages 32 and 33.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy of the City is related to the service industry and construction. The City's activities are primarily funded through business taxes collected from physicians, attorneys, country clubs, investment facilities, other service providers, retail and restaurants, construction and development companies. The largest source of revenue by far is the payroll tax of 1% on all wages up to \$ 106,800 (for 2009) earned within City limits. This is not expected to change in the future, which is why Crestview Hills works very closely with the business community to assure harmonious relations between commercial and residential developments, often making unique concessions and adjustments, some of which are financial. The City's annual budget takes into account the historical trends of the overall economy as it affects the service, medical, and construction industries.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the City's finances. If you have questions about this report or requests for additional financial information, contact the City's Treasurer, C.R. Wirthlin, at the City of Crestview Hills, 50 Town Center Blvd., Crestview Hills, Kentucky 41017.

CITY OF CRESTVIEW HILLS, KENTUCKY**Statement of Net Assets**

June 30, 2009

	Primary Governmental Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,404,825
Receivables	
Taxes	56,921
Accounts	397,767
Accrued interest	3,907
Other governments	8,347
Prepays	35,707
Deferred charges	54,682
Capital assets not being depreciated	260,000
Capital assets, net of accumulated depreciation	<u>3,364,250</u>
Total assets	<u>7,586,406</u>
LIABILITIES	
Accrued liabilities	23,476
Accrued interest payable	35,777
Noncurrent liabilities:	
Due within one year	110,000
Due in more than one year	<u>2,169,864</u>
Total liabilities	<u>2,339,117</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,359,250
Unrestricted	<u>3,888,039</u>
Total net assets	\$ <u><u>5,247,289</u></u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (expenses)
		Charges for Services	Capital Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 593,327	\$ 11,860	\$ -	\$ (581,467)
Public safety	952,783	2,200	-	(950,583)
Public works	922,688	-	52,492	(870,196)
Community development	68,223	15,520	-	(52,703)
Interest on long-term debt	87,947	-	-	(87,947)
Total governmental activities	<u>2,624,968</u>	<u>29,580</u>	<u>52,492</u>	<u>(2,542,896)</u>
Total primary government	<u>\$ 2,624,968</u>	<u>\$ 29,580</u>	<u>\$ 52,492</u>	<u>\$ (2,542,896)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 573,494
Taxes levied for bank deposits				27,015
Public service taxes and licenses and permits				1,703,150
Interest				99,311
Miscellaneous				1,327
Total general revenues				<u>2,404,297</u>
Change in net assets				(138,599)
Net assets-beginning				5,385,888
Net assets-ending				<u>\$ 5,247,289</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,404,825	\$ -	\$ 3,404,825
Receivables			
Taxes	56,921	-	56,921
Accounts	397,767	-	397,767
Accrued interest	3,907	-	3,907
Other governments	8,347	-	8,347
Prepays	35,707	-	35,707
Total assets	<u>\$ 3,907,474</u>	<u>\$ -</u>	<u>\$ 3,907,474</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 23,476	\$ -	\$ 23,476
Deferred revenue	26,012	-	26,012
Total liabilities	<u>49,488</u>	<u>-</u>	<u>49,488</u>
Fund balances:			
Reserved for:			
Prepays	35,707	-	35,707
Emergencies	880,560	-	880,560
Public works projects	176,837	-	176,837
Police	214,029	-	214,029
Capital Outlay	1,607,862	-	1,607,862
Unreserved, reported in:			
General fund	942,991	-	942,991
Total fund balances	<u>3,857,986</u>	<u>-</u>	<u>3,857,986</u>
Total liabilities and fund balances	<u>\$ 3,907,474</u>	<u>\$ -</u>	<u>\$ 3,907,474</u>
Total governmental fund balance			\$ 3,857,986
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,624,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			26,012
Costs of debt issuance and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.			54,682
Accrued interest on long-term debt.			(35,777)
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported in the funds.			(2,279,864)
Net assets of governmental activities			<u>\$ 5,247,289</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2009

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 566,925	\$ -	\$ 566,925
Licenses and permits	1,730,165	-	1,730,165
Intergovernmental	52,492	-	52,492
Charges for services	17,724	-	17,724
Fines and forfeitures	11,856	-	11,856
Interest	99,311	-	99,311
Miscellaneous	1,327	-	1,327
Total revenues	<u>2,479,800</u>	<u>-</u>	<u>2,479,800</u>
EXPENDITURES			
Current:			
General government	503,140	-	503,140
Public safety	952,783	-	952,783
Public works	375,588	142,577	518,165
Community development	68,223	-	68,223
Debt service:			
Principal	105,000	-	105,000
Interest	89,435	-	89,435
Total expenditures	<u>2,094,169</u>	<u>142,577</u>	<u>2,236,746</u>
Excess (deficiency) of revenues over expenditures	<u>385,631</u>	<u>(142,577)</u>	<u>243,054</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	142,577	142,577
Transfers out	<u>(142,577)</u>	<u>-</u>	<u>(142,577)</u>
Total other financing sources and uses	<u>(142,577)</u>	<u>142,577</u>	<u>-</u>
Net change in fund balances	243,054	-	243,054
Fund balances - beginning	<u>3,614,932</u>	<u>-</u>	<u>3,614,932</u>
Fund balances - ending	<u>\$ 3,857,986</u>	<u>\$ -</u>	<u>\$ 3,857,986</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2009

Net change in fund balances-total governmental funds	\$ 243,054
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	178,540
Depreciation expense	(668,152)
Government funds report the effect of bond issuance cost and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(3,217)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,570
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in governmental funds.	1,488
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - compensated absences.	(1,882)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	105,000
	<hr/>
Change in net assets of governmental activities.	\$ <u><u>(138,599)</u></u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2009

	Required Supplementary Information			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 3,183,782	\$ 3,213,036	\$ 3,614,932	\$ 401,896
Resources (inflows):				
Taxes	546,000	545,000	566,925	21,925
Licenses and permits	1,520,920	1,608,800	1,730,165	121,365
Intergovernmental	45,175	55,887	52,492	(3,395)
Charges for services	12,230	14,215	17,724	3,509
Fines and forfeitures	2,700	2,600	11,856	9,256
Interest	107,850	101,665	99,311	(2,354)
Miscellaneous	1,000	150	1,327	1,177
Amounts available for appropriation	<u>5,419,657</u>	<u>5,541,353</u>	<u>6,094,732</u>	<u>553,379</u>
Charges to appropriations (outflows)				
General government	533,680	496,576	503,140	(6,564)
Public safety	1,032,421	954,500	952,783	1,717
Public works	406,250	399,500	375,588	23,912
Community development	79,500	73,025	68,223	4,802
Debt Service				
Principal	105,000	105,000	105,000	-
Interest	89,000	89,000	89,435	(435)
Transfers out	250,000	173,550	142,577	30,973
Total charges to appropriations	<u>2,495,851</u>	<u>2,291,151</u>	<u>2,236,746</u>	<u>54,405</u>
Budgetary fund balance, June 30	\$ <u>2,923,806</u>	\$ <u>3,250,202</u>	\$ <u>3,857,986</u>	\$ <u>607,784</u>

The basis of budgeting is the same as Generally Accepted Accounting Principles.

CITY OF CRESTVIEW HILLS, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental				-
Transfers in	250,000	173,550	142,577	(30,973)
Amounts available for appropriation	<u>250,000</u>	<u>173,550</u>	<u>142,577</u>	<u>(30,973)</u>
Charges to appropriations (outflows):				
Public works	250,000	173,550	142,577	30,973
Total charges to appropriations	<u>250,000</u>	<u>173,550</u>	<u>142,577</u>	<u>30,973</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The capital project fund is used to account for the acquisition and construction of major capital facilities and for street projects.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Crestview Hills, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Crestview Hills is a municipality governed by a mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The City of Crestview Hills has no business-type activities or blended or discretely presented component units.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, related to the 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.

Government 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

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The capital project fund is used to account for financial resources to be used for the acquisition and construction of major capital projects.

Assets, liabilities and net assets or equity

Cash and Cash Equivalents

Cash and cash equivalents including amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities;
2. Obligations and contracts for future delivery or purchases of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligation permitted by Section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of these highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one of the highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9. Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five (5) years; and
 - c) All of the securities in the mutual fund shall be eligible investments under this section.

Property Tax Receivable

Property taxes are levied as of July 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items under the purchases method.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City capitalizes all assets exceeding \$1,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings	30 years
Building Improvements	15-30 years
Public Domain Infrastructure	7-25 years
Vehicles	5 years
Office Equipment	5 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds.

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 statement of net assets.

Fund Equity

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by management for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. The principal purpose of the City's interfund transfers is to account for capital purchases to be recorded in the Capital Projects Fund.

Required Supplementary Information Budgetary Policies

All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules present actual expenditures in accordance with the accounting principles generally accepted in the U.S. on a basis consistent with the legally adopted budgets.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 15, the Mayor submits to the Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. By July 1, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

NOTE C-DEPOSITS

As of June 30, 2009, the City held no investments:

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2009, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Retirements/ Deletions	Balance June 30, 2009
Governmental activities:				
Not being depreciated:				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Construction in progress	-	-	-	-
Subtotal	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
Other capital assets:				
Buildings	2,571,815	19,074	-	2,590,889
Improvements/infrastructure	8,562,331	136,457	-	8,698,788
Equipment	177,693	2,380	(1,524)	178,549
Vehicles	36,001	20,629	-	56,630
Subtotal	<u>11,347,840</u>	<u>178,540</u>	<u>(1,524)</u>	<u>11,524,856</u>
Accumulated depreciation:	-			-
Buildings	(174,780)	(87,919)	-	(262,699)
Improvements/infrastructure	(7,222,251)	(561,609)	-	(7,783,860)
Equipment	(64,731)	(15,379)	1,524	(78,586)
Vehicles	(32,216)	(3,245)	-	(35,461)
Subtotal	<u>(7,493,978)</u>	<u>(668,152)</u>	<u>1,524</u>	<u>(8,160,606)</u>
Net other assets	<u>3,853,862</u>	<u>(489,612)</u>	<u>-</u>	<u>3,364,250</u>
Net capital assets	<u>\$ 4,113,862</u>	<u>\$ (489,612)</u>	<u>\$ -</u>	<u>\$ 3,624,250</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 106,543
Highways and streets	561,609
Total governmental activities depreciation expense	<u>\$ 668,152</u>

NOTE E-LONG-TERM DEBT

Bonds Payable

The City issued in October, 2005, \$2,565,000 City of Crestview Hills, Kentucky General Obligation Public Project Bonds, Series 2005.

The bonds are payable over twenty years at interest varying from 3.40% to 4.15%.

The following is a schedule of future debt service requirements to maturity at June 30, 2009.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Year Ended June 30,	Principal	Interest
2010	\$ 110,000	\$ 85,865
2011	110,000	82,125
2012	115,000	78,385
2013	120,000	74,475
2014	125,000	70,395
2015-2019	675,000	283,725
2020-2024	825,000	142,408
2025	185,000	7,677
	<u>\$ 2,265,000</u>	<u>\$ 825,055</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	June 30, 2008	Additions	Retirements	June 30, 2009	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 12,982	\$ 1,882	\$ none	\$ 14,864	\$ none
Bonds payable	\$ 2,370,000	\$ -	\$ 105,000	\$ 2,265,000	\$ 110,000
Totals	<u>\$ 2,382,982</u>	<u>\$ 1,882</u>	<u>\$ 105,000</u>	<u>\$ 2,279,864</u>	<u>\$ 110,000</u>

NOTE F-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Non-hazardous Contributions - For the year ended June 30, 2009 plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2009, participating employers contributed 13.50% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2009 was 13.50% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The City joined the plan on July 1, 2000. The required contribution and the actual percentage contributed for the City for the current year and the previous year is as follows:

Year	Required Contribution	Percentage Contributed
2009	\$ 26,588	100%
2008	\$ 32,421	100%
2007	\$ 25,134	100%

NOTE H-CONTINGENT LIABILITIES

The City is not currently a defendant in lawsuits.

NOTE I-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through the Kentucky League of Cities Municipal Risk Management Association. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2009, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE J-JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with one other local governmental entity that provides police protection services, created the Lakeside Park-Crestview Hills Police Authority. The Police Authority, a separate legal entity, provides police services to the two governmental entities. The Authority's board is comprised of three members from each entity. Except for the annual contribution, no participant has any obligation, entitlement or residual interest. The City's annual contribution for the year ended June 30, 2009 was \$ 748,204.

NOTE K-COMMITMENTS

At June 30, 2009, the City had committed for contracts on traffic light and road repair projects to be performed subsequent to year end. The total approximate cost is \$106,000.

STATISTICAL SECTION

(UNAUDITED)

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF CRESTVIEW HILLS, KENTUCKY

Net Assets by Component

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
PRIMARY GOVERNMENTAL									
GOVERNMENTAL ACTIVITIES									
Invested in capital assets, net of related debt	\$ 3,963,393	\$ 3,791,493	\$ 3,500,603	\$ 3,096,562	\$ 2,860,901	\$ 1,799,928	\$ 2,092,641	\$ 1,743,862	\$ 1,359,250
Restricted	1,944,438	1,809,045	1,980,444	-	-	677,798	-	-	-
Unrestricted	429,073	595,459	751,445	3,045,804	3,093,658	3,568,315	3,742,916	3,642,026	3,888,039
Total governmental activities net assets	\$ <u>6,336,904</u>	\$ <u>6,195,997</u>	\$ <u>6,232,492</u>	\$ <u>6,142,366</u>	\$ <u>5,954,559</u>	\$ <u>6,046,041</u>	\$ <u>5,835,557</u>	\$ <u>5,385,888</u>	\$ <u>5,247,289</u>

CITY OF CRESTVIEW HILLS, KENTUCKY

Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 7,041	\$ 8,523	\$ 5,198	\$ 8,217	\$ 12	\$ 17	\$ 630	\$ 3,109	\$ 11,860
Public safety	-	-	-	-	-	-	-	2,200	2,200
Community development	7,447	13,446	14,679	16,567	12,945	16,001	13,075	12,885	15,520
Capital grants and contributions	240,473	44,813	44,248	43,501	47,872	388,423	93,625	92,741	52,492
Total governmental activities program revenues	254,961	66,782	64,125	68,285	60,829	404,441	107,330	110,935	82,072
Total primary government program revenues	\$ 254,961	\$ 66,782	\$ 64,125	\$ 68,285	\$ 60,829	\$ 404,441	\$ 107,330	\$ 110,935	\$ 82,072
Expenses									
Governmental activities:									
General government	\$ 357,434	\$ 433,000	\$ 353,070	\$ 413,170	\$ 395,847	\$ 407,071	\$ 605,919	\$ 611,723	\$ 593,327
Public safety	559,712	593,830	631,733	671,650	739,136	736,596	987,138	985,510	952,783
Public works	777,958	702,545	740,497	794,899	869,657	1,271,896	844,038	1,242,877	922,688
Community development	47,703	57,515	47,308	32,481	74,831	29,353	36,125	42,609	68,223
Interest on long-term debt	-	-	-	-	-	42,785	96,065	130,100	87,947
Total governmental activities	1,742,807	1,786,890	1,772,608	1,912,200	2,079,471	2,487,701	2,569,285	3,012,819	2,624,968
Total primary government expense	\$ 1,742,807	\$ 1,786,890	\$ 1,772,608	\$ 1,912,200	\$ 2,079,471	\$ 2,487,701	\$ 2,569,285	\$ 3,012,819	\$ 2,624,968
Net (expense)/revenue									
Governmental activities	\$ (1,487,846)	\$ (1,720,108)	\$ (1,708,483)	\$ (1,843,915)	\$ (2,018,642)	\$ (2,083,260)	\$ (2,461,955)	\$ (2,901,884)	\$ (2,542,896)
Total primary government net expense	\$ (1,487,846)	\$ (1,720,108)	\$ (1,708,483)	\$ (1,843,915)	\$ (2,018,642)	\$ (2,083,260)	\$ (2,461,955)	\$ (2,901,884)	\$ (2,542,896)
General Revenues and Other									
Changes in Net Asset									
Governmental activities:									
Taxes:									
Property taxes, levied for general purposes	\$ 402,613	\$ 416,802	\$ 437,229	\$ 437,147	\$ 468,223	\$ 501,212	\$ 528,588	\$ 527,141	\$ 573,494
Bank deposit taxes	14,512	15,209	13,183	15,369	16,001	18,873	21,775	24,998	27,015
Public service taxes	1,036,319	1,047,784	1,185,112	1,181,279	1,256,327	1,481,646	1,539,106	1,678,335	1,703,150
Interest	139,042	76,720	54,873	54,482	82,807	166,756	154,108	153,535	99,311
Miscellaneous	43,421	22,683	4,665	65,512	7,477	6,255	66,432	9,668	1,327
Total governmental activities	1,635,907	1,579,198	1,695,062	1,753,789	1,830,835	2,174,742	2,310,009	2,393,677	2,404,297
Total primary government	\$ 1,635,907	\$ 1,579,198	\$ 1,695,062	\$ 1,753,789	\$ 1,830,835	\$ 2,174,742	\$ 2,310,009	\$ 2,393,677	\$ 2,404,297
Change in net assets									
Governmental activities	\$ 148,061	\$ (140,910)	\$ (13,421)	\$ (90,126)	\$ (187,807)	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)
Total primary government	\$ 148,061	\$ (140,910)	\$ (13,421)	\$ (90,126)	\$ (187,807)	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)

Data for years 1999 and 2000 is not available.

CITY OF CRESTVIEW HILLS, KENTUCKY
Governmental Activities Tax Revenues By Source
Last Nine Fiscal Years
(modified accrual basis of accounting)

(continued)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Public Service Tax</u>	<u>Bank Deposits Tax</u>	<u>Total</u>
2001	\$ 397,643	\$ 1,036,319	\$ 14,512	\$ 1,448,474
2002	\$ 380,983	\$ 1,047,784	\$ 15,209	\$ 1,443,976
2003	\$ 433,513	\$ 1,185,112	\$ 13,183	\$ 1,631,808
2004	\$ 438,881	\$ 1,185,495	\$ 15,369	\$ 1,639,745
2005	\$ 451,140	\$ 1,256,327	\$ 16,001	\$ 1,723,468
2006	\$ 481,741	\$ 1,481,646	\$ 18,873	\$ 1,982,260
2007	\$ 515,938	\$ 1,537,452	\$ 21,775	\$ 2,075,165
2008	\$ 550,722	\$ 1,678,335	\$ 24,998	\$ 2,254,055
2009	\$ 566,925	\$ 1,686,215	\$ 27,015	\$ 2,280,155

The Public Service Tax consists of occupational, net profit and payroll license fees treated as public service taxes.

CITY OF CRESTVIEW HILLS, KENTUCKY
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
GENERAL FUND									
Reserved	\$ 1,944,438	\$ 1,818,985	\$ 1,980,444	\$ 2,320,933	\$ 2,354,693	\$ 2,550,061	\$ 2,726,798	\$ 2,811,109	\$ 2,914,995
Unreserved	474,328	587,455	742,165	709,825	699,336	887,322	861,375	803,823	942,991
Total general fund	\$ <u>2,418,766</u>	\$ <u>2,406,440</u>	\$ <u>2,722,609</u>	\$ <u>3,030,758</u>	\$ <u>3,054,029</u>	\$ <u>3,437,383</u>	\$ <u>3,588,173</u>	\$ <u>3,614,932</u>	\$ <u>3,857,986</u>

Data for years 1999 and 2000 is not available.

CITY OF CRESTVIEW HILLS, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES									
Taxes	\$ 1,216,637	\$ 1,312,328	\$ 1,383,774	\$ 1,467,352	\$ 451,140	\$ 500,614	\$ 537,713	\$ 575,720	\$ 566,925
Licenses and permits	231,837	131,648	248,034	172,393	1,272,328	1,481,646	1,537,452	1,678,335	1,730,165
Intergovernmental	240,473	44,816	44,118	43,501	47,872	388,423	93,625	92,741	52,492
Fines and forfeitures	7,041	8,523	5,198	4,001	3,137	3,157	4,579	53,679	11,856
Charges for services	-	-	-	16,567	12,957	16,018	13,705	15,119	17,724
Interest	139,042	76,720	54,873	54,482	82,807	166,756	154,108	153,535	99,311
Miscellaneous	50,868	36,129	19,474	65,512	4,340	3,098	61,853	9,668	1,327
Total revenues	<u>1,885,898</u>	<u>1,610,164</u>	<u>1,755,471</u>	<u>1,823,808</u>	<u>1,874,581</u>	<u>2,559,712</u>	<u>2,403,035</u>	<u>2,578,797</u>	<u>2,479,800</u>
EXPENDITURES									
Current:									
General government	343,994	421,508	343,724	420,078	378,902	389,275	469,564	485,465	503,140
Public Safety	559,712	593,830	631,733	671,650	739,136	736,596	987,138	985,510	952,783
Public works	284,577	297,209	289,922	304,712	358,627	635,459	443,642	845,619	518,165
Community development	47,703	57,515	47,050	32,481	74,831	42,785	36,125	42,609	68,223
Capital expenditures	-	-	-	-	16,223	6,205	2,853	-	-
Capital outlay	487,154	244,928	119,373	79,238	276,091	2,152,054	786,932	-	-
Debt service:									
Principal	7,500	7,500	7,500	7,500	7,500	7,500	107,724	100,000	105,000
Interest	-	-	-	-	-	29,353	96,065	92,835	89,435
Total expenditures	<u>1,730,640</u>	<u>1,622,490</u>	<u>1,439,302</u>	<u>1,515,659</u>	<u>1,851,310</u>	<u>3,999,227</u>	<u>2,930,043</u>	<u>2,552,038</u>	<u>2,236,746</u>
Excess(deficiency) of revenues over(under) expenditures	<u>155,258</u>	<u>(12,326)</u>	<u>316,169</u>	<u>308,149</u>	<u>23,271</u>	<u>(1,439,515)</u>	<u>(527,008)</u>	<u>26,759</u>	<u>243,054</u>
OTHER FINANCING SOURCES(USES)									
Bond issue	-	-	-	-	-	2,565,000	-	-	-
Bond issue costs	-	-	-	-	-	(64,333)	-	-	-
Transfers in	86,802	245,036	107,438	73,713	276,091	298,152	179,475	418,827	142,577
Transfers out	<u>(86,802)</u>	<u>(245,036)</u>	<u>(107,438)</u>	<u>(73,713)</u>	<u>(276,091)</u>	<u>(298,152)</u>	<u>(179,475)</u>	<u>(418,827)</u>	<u>(142,577)</u>
Total other financing sources and uses	-	-	-	-	-	2,500,667	-	-	-
Net change in fund balances	<u>\$ 155,258</u>	<u>\$ (12,326)</u>	<u>\$ 316,169</u>	<u>\$ 308,149</u>	<u>\$ 23,271</u>	<u>\$ 1,061,152</u>	<u>\$ (527,008)</u>	<u>\$ 26,759</u>	<u>\$ 243,054</u>
Debt service as a percentage of noncapital expenditures	<u>0.006</u>	<u>0.005</u>	<u>0.006</u>	<u>0.005</u>	<u>0.005</u>	<u>0.035</u>	<u>0.105</u>	<u>0.094</u>	<u>0.104</u>

(continued)

CITY OF CRESTVIEW HILLS, KENTUCKY			
Governmental Activities Tax Revenues By Source			
Last Nine Fiscal Years			
(accrual basis of accounting)			
Fiscal Year	Property Tax	Public Service Tax	Bank Deposits Tax
2001	\$ 402,613	\$ 1,036,319	\$ 14,512
2002	\$ 416,802	\$ 1,047,784	\$ 15,209
2003	\$ 437,229	\$ 1,185,112	\$ 13,183
2004	\$ 431,147	\$ 1,181,279	\$ 15,369
2005	\$ 486,223	\$ 1,256,327	\$ 16,001
2006	\$ 501,212	\$ 1,481,646	\$ 18,873
2007	\$ 528,588	\$ 1,539,106	\$ 21,775
2008	\$ 527,141	\$ 1,678,335	\$ 24,998
2009	\$ 573,494	\$ 1,686,215	\$ 27,015

The Public Service Tax consists of occupational, net profit and payroll license fees treated as public service taxes.

CITY OF CRESTVIEW HILLS, KENTUCKY**Assessed Value of Taxable Property**

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2000	\$ 290,332,442	\$ -	\$ 58,883,942	\$ 231,448,500	0.1525
2001	307,958,543	-	48,661,343	259,297,200	0.1525
2002	322,281,943	-	49,583,543	272,698,400	0.1525
2003	331,597,443	-	50,049,943	281,547,500	0.1525
2004	333,129,343	-	50,788,343	282,341,000	0.1525
2005	350,658,793	-	53,480,343	297,178,450	0.1525
2006	370,017,043	-	53,949,143	316,067,900	0.1525
2007	392,589,331	-	54,007,943	338,581,388	0.1525
2008	400,259,531	-	55,055,943	345,203,588	0.1525
2009	460,876,508	-	59,642,343	401,234,165	0.1415

Source - Kenton County PVA

The County assesses property at 100% of fair market value.

CITY OF CRESTVIEW HILLS, KENTUCKY				
Property Tax Rates (1)				
Direct and Overlapping Governments				
Last Ten Fiscal Years				
<u>Fiscal Year</u>	<u>City of Crestview Hills</u>	<u>Overlapping rates County</u>		<u>Total Direct and Overlapping Rates</u>
		<u>Kenton County</u>	<u>School District</u>	
2000	0.1525	0.1290	0.478	0.7585
2001	0.1525	0.1310	0.478	0.7615
2002	0.1525	0.1310	0.485	0.7685
2003	0.1525	0.1350	0.492	0.7795
2004	0.1525	0.1310	0.548	0.8315
2005	0.1525	0.1360	0.556	0.8445
2006	0.1525	0.1380	0.556	0.8465
2007	0.1525	0.1410	0.564	0.8575
2008	0.1525	0.1420	0.558	0.8525
2009	0.1415	0.1420	0.558	0.8415

(1) Per \$100 assessed valuation

The City of Crestview Hills is a portion of the County and School District.

CITY OF CRESTVIEW HILLS, KENTUCKY

Principal Property Taxpayers

June 30, 2009

Taxpayer	2009		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 31,693,380	1	7.71%
Columbia Sussex	19,900,000	2	4.84%
Higbee Company	11,555,000	3	2.81%
Grandview Summit Apartments	15,500,000	4	3.77%
N. Ky. Racquet Clubs, Inc.	6,580,800	5	1.60%
Atria Summit Hills LLC	5,076,000	6	1.24%
Chapel Place D	4,500,000	7	1.09%
Chancellor Commons B	4,400,000	8	1.07%
Summit Hills Country Club	4,391,100	9	1.07%
Thomas More/Hemmer II LTD	4,035,000	10	0.98%
TOTAL	\$ 107,631,280		26.19%
Taxpayer	2000		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Valley View Ridge, LTD	\$ 14,935,000	1	5.00%
Crestview Hills Mall	12,062,000	2	4.00%
Atria Communities, Inc.	6,970,000	3	3.00%
N. Ky. Racquet Clubs, Inc.	5,234,000	4	2.00%
Summit Hills Country Club	4,076,600	5	1.00%
Crestview Hills Bank	3,930,000	6	1.00%
Thomas More/Hemmer II LTD	3,750,000	7	1.00%
Thomas More/Hemmer III LTD	3,516,500	8	1.00%
Square D Co.	2,960,100	9	1.00%
Thomas More/Hemmer I LTD	2,520,500	10	1.00%
TOTAL	\$ 59,954,700		20.00%

Source - Kenton County PVA

CITY OF CRESTVIEW HILLS, KENTUCKY
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Collections	Total Collections to Date	
					Amount	Percentage of Collection
2000	\$ 363,182	\$ 355,647	97%	\$ 1,728	\$ 357,375	98%
2001	395,428	392,787	99%	4,856	397,643	101%
2002	415,285	383,908	92%	(2,923)	380,984	92%
2003	430,405	431,555	100%	1,107	432,662	100%
2004	433,138	430,604	99%	6,850	437,454	100%
2005	453,197	451,307	99%	(167)	451,140	100%
2006	482,004	476,663	99%	2,892	479,555	99%
2007	516,249	512,251	99%	3,731	515,982	100%
2008	526,580	520,656	99%	76,107	596,763	115%
2009	567,718	530,212	93%	(523)	529,689	93%

Source - City of Crestview Hills finance office.

CITY OF CRESTVIEW HILLS, KENTUCKY						
Ratios of Outstanding Debt by Type						
Last Ten Fiscal Years						
Fiscal Year	Governmental Activities		Total Primary Government	Per Capita(1)	% of Per Capita Personal Income (1)	
	General Obligations	Notes				
	Bonds					
2000	\$ -	\$ 57,724	\$ 57,724	20		0.00%
2001	-	50,224	50,224	17		0.00%
2002	-	42,724	42,724	15		0.00%
2003	-	35,224	35,224	12		0.00%
2004	-	27,724	27,724	9		0.00%
2005	-	20,224	20,224	6		0.00%
2006	2,565,000	12,724	2,577,724	798		0.01%
2007	2,470,000	-	2,470,000	734		0.01%
2008	2,370,000	-	2,370,000	658		0.01%
2009	2,265,000	-	2,265,000	611		0.01%

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

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF CRESTVIEW HILLS, KENTUCKY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligations Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value(1) of Property</u>	<u>Per Capita(2)</u>
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	2,565,000	-	2,565,000	0.81%	762
2007	2,470,000	-	2,470,000	0.63%	734
2008	2,370,000	-	2,370,000	0.59%	658
2009	2,265,000	-	2,265,000	0.49%	611

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

- (1) See the Schedule of Assessed Value of Taxable Property for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF CRESTVIEW HILLS, KENTUCKY
Direct and Overlapping Governmental Activities Debt
June 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Kenton County	\$ 104,894,286 (2)	4.28%	\$ 4,485,677
Kenton County School District	156,831,168 (3)	4.28%	6,706,695
City of Crestview Hills direct debt	<u>2,265,000</u>	100%	<u>2,265,000</u>
Total direct and overlapping	<u>\$ 263,990,454</u>		<u>\$ 13,457,372</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Crestview Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

(2) Kenton County Treasurer's office.

(3) Kenton County School District Treasurer's office.

CITY OF CRESTVIEW HILLS, KENTUCKY
Legal Debt Margin Information
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 23,144,850	\$ 25,929,720	\$ 27,209,840	\$ 28,154,750	\$ 28,234,100	\$ 29,717,845	\$ 31,606,790	\$ 39,258,933	\$ 40,025,953	\$ 46,087,651
Total net debt applicable to limit	-	-	-	-	-	-	2,565,000	2,470,000	2,370,000	2,265,000
Legal debt margin	23,144,850	25,929,720	27,269,840	28,154,750	28,234,100	29,717,845	29,041,790	36,788,933	37,655,953	43,822,651
Total net debt applicable to the limit as a percentage of debt limit							8.12%	6.29%	5.92%	4.91%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 401,234,165
Add back: exempt real property	<u>59,642,343</u>
Total assessed value	460,876,508
Debt limit(10% of total assessed value)	46,087,651
Debt applicable to limit:	
General obligation bonds	2,265,000
Less: amount set aside for repayment general oblidation debt	
Total net debt applicable to limit	<u>2,265,000</u>
Legal debt margin	<u>\$ 43,822,651</u>

Note: Under state finance law, the City of Crestview Hills outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF CRESTVIEW HILLS, KENTUCKY

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Total Personal Income Expressed In Thousands (1)	Median Age (2)	Unemployment Rate (2)
2000	2,886	\$45,142	\$130,280	43.7	3.4%
2001	2,886	\$46,894	\$135,336	43.8	3.6%
2002	2,886	\$43,767	\$126,312	43.8	3.8%
2003	2,886	\$45,510	\$131,342	44.0	3.3%
2004	3,232	\$46,430	\$150,062	44.0	3.7%
2005	3,232	\$57,473	\$185,753	44.7	4.4%
2006	3,367	\$59,755	\$201,195	44.4	5.0%
2007	3,382	\$63,600	\$215,095	43.9	4.3%
2008	3,604	\$57,473	\$207,133	43.6	5.5%
2009	3,709	\$58,645	\$217,514	43.9	8.1%

(1) Census Bureau and Kentucky State Data Center*

(2) Kentucky Cabinet for Workforce Development*

CITY OF CRESTVIEW HILLS, KENTUCKY		
Principal Employers		
Current Year and Ten Years Ago		
2009		
<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Thomas More College	1	6.4%
Columbia Sussex Corp	2	4.6%
Fischer Management	3	3.7%
Physician Associates LLC	4	3.4%
Higbee Company	5	3.1%
The Bank of Kentucky Inc	6	2.7%
Cincinnati Healthcare Group PSC	7	2.2%
Dressman, Benzinger, LaVelle, PSC	8	2.1%
Internal Medicine Associates of N KY	9	2.0%
Oncology/Hematology Care Inc	10	<u>1.9%</u>
TOTAL		<u><u>32.1%</u></u>
2000		
<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Dillard's	1	9.8%
Thomas More college	2	9.5%
Fischer Management	3	7.5%
Square D	4	7.3%
Huntington National Bank	5	4.1%
Alliance Research Inc	6	3.7%
Deters Benzinger & Lavelle PSC	7	3.2%
Five Seasons Sports CC	8	2.5%
Summit Hills Country Club	9	2.0%
TGI Fridays	10	<u>1.9%</u>
		<u><u>51.5%</u></u>

CITY OF CRESTVIEW HILLS, KENTUCKY
Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General	3	3	3	3	3	3	3	3	3	3
Public works	1	1	1	1	1	1	1	1	1	1

Source: City Clerk/Treasurer

CITY OF CRESTVIEW HILLS, KENTUCKY										
Capital Asset Statistics by Function										
Last Ten Fiscal Years										
Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Stations	None	None	None	None	None	None	None	None	None	None
Fire:										
Fire stations	None	None	None	None	None	None	None	None	None	None
Highways and streets:										
Streets(miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	56	56	56	56	56	66	66	66	73	73

Source: Various city departments

Police function is contracted with the Lakeside Park/Crestview Hills Police Authority.

Fire function is contracted with the cities of Ft. Mitchell and Edgewood, Kentucky.

Emergency Medical Service is contracted with Transcare of Northern Kentucky.

Sanitation lines are owned and maintained by the Sanitation District No. 1.

**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**

**To the Mayor and Council
City of Crestview Hills, Kentucky**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Crestview Hills, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Crestview Hills, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Crestview Hills, Kentucky's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider them to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crestview Hills, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The City of Crestview Hills, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the city's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the finance committee, management, others within the organization, Mayor and Council and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
December 18, 2009**

CITY OF CRESTVIEW HILLS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009

Finding 1: Lack of Segregation of Duties

The City is responsible for maintaining an adequate system of internal controls over financial activity. The City is a small unit with limited personnel that hinders the ability to provide various segregating of duties. The City Clerk/Treasurer is responsible for all accounting functions, such as preparing daily deposits, processing accounts payable and payroll, and preparing bank reconciliations with limited oversight.

Recommendation: We recommend the City consider the following:

- (1) Provide for an independent (from the Clerk/Treasurer) person to prepare (or review in detail) the bank reconciliation.
- (2) The Mayor or other designated individual such as the City Administrator, provide as much oversight as possible, such as reviewing disbursement documentation, signing checks and otherwise overseeing financial activity including a review of the monthly general ledger.

City's Response:

The City is a small unit with three administrative employees, thus limiting the possibility of segregation of duties. The City will consider other alternatives to protect City assets.

Finding 2: Bidding

The City needs to ensure compliance with Kentucky Revised Statutes, specifically KRS424.260, regarding bidding. The City Administration needs to continue to supervise the process of advertisement for bids when required. In the June 30, 2009 fiscal year three contracts were given for road construction amounts between \$18,520 to \$19,853. While these amounts were below the required bidding amount of \$20,000, they were very close to the threshold. Consideration should be given to bidding projects that could be close to or exceed the bidding requirements.

Recommendation: We recommend the City consider the following:

- (1) Designate the City Coordinator as responsible for overseeing all advertisements for bidding and develop a City policy for when road projects should be bid.

City's Response:

The City will provide the necessary oversight over bidding.