

CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

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INTRODUCTORY SECTION



October 14th, 2011

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, 2011.

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, 2011. 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, basic and advanced emergency medical service, city-wide landscaping maintenance and right-of-way plantings, animal control services, building, zoning, and code enforcement.

The majority of City activities are accounted for through the General Fund, with a separate Capital Projects Fund maintained mostly for grant and large 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 Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,148 (April 1, 2010 U.S. Census) with a much larger daytime population. The City levies a property tax on real property and levies an occupational fee on employees and businesses.

The City of Crestview Hills has operated under the Mayor-Council form of government since 1951. Policy-making and legislative authority are vested in the City Council. The Mayor is responsible the executive functions of the City, including administration of the budget, appointing employees, and representing the City as the Chief Elected Official. The City Council is responsible for setting policy, passing ordinances, adopting the budget, approving the Mayor's appointments to committees, and approving the appointment of the City Administrator, City Engineer, City Attorney and City Clerk. The appointed City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and assisting the Mayor and Council. The council is elected on a non-partisan basis. Council members serve two-year terms while the mayor serves a four-year term. A new four-year term began for the Mayor and two-year term for Councilmembers on January 1st, 2011.

The annual budget serves as the foundation for the City of Crestview Hills financial planning and control. The Mayor is responsible for presentation of the annual budget to the City Council for approval. The City Administrator and Treasurer work closely with the Mayor and Council Committees to assess budgetary needs for the coming year. This information, along with known changes in funding formulas and contracts is programmed into the budget document. 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 ten miles southwest of Cincinnati. The City is known for its diversity including single family residential and condominiums, an active retail center, a large business and office park, a four year liberal arts college (Thomas More College) and two country clubs. The key economic areas vital to the City's tax base are: the medical sector, professional offices, retail, and residential. Each contributes to the broad based revenue that operates the City.

The development of the Research Park area along Thomas More Parkway during the last two decades has been a boon to the City's economy. The Research Park is within ten miles of the Greater Cincinnati/Northern Kentucky International Airport with easy access to I-75, I-71, and I-275. While downtown Cincinnati is only a few minutes away, this location is suburban and residential in nature. The Research Park houses professional offices, specialty physicians, attorneys, banks, country clubs, a four-year college, a gymnastics training facility, children's care facilities, and corporate offices in an suburban environment with the lowest overall tax rates in the area. The proximity of the St. Elizabeth Hospital Healthcare system in the adjacent City of Edgewood has contributed to the large concentration

of healthcare related offices in the City. The City is the home to St. Elizabeth Physicians, a multi-specialty physicians group employing 200 physicians and 1,100 total employees throughout Northern Kentucky. St. Elizabeth Hospital also maintains a large presence in the community, remaining the top payroll taxpayer during FY 2010-2011.

While the Northern Kentucky economy has felt the same economic downturn as the overall national economy, the City's tax base has fared better than many surrounding cities. The diversity of businesses, along with the high concentration of healthcare related jobs has generally shielded the City's revenues from large drops in payroll taxes. Interestingly, the City's retail center has also remained strong during the great recession, with only a few tenants leaving and currently all but one of the spaces fully leased. The recent departure of Borders Bookstore (from bankruptcy) was quickly replaced with another prominent bookseller.

Payroll taxes increased slightly over FY 2009-2010. The City's payroll taxes increased by 4.97% from \$1,469,296 to \$1,542,322. This is consistent with the sluggish growth of the overall national economy and will probably continue through 2012. Offsetting this growth was a decline in Net Profit taxes (business taxes) of \$41,712 from FY 2009-2010, or a decrease of 22.8%. Continued weakness in the economy, as well as the continued merger of physician practices into St. Elizabeth Healthcare will create downward pressure on Net Profit revenue through the next year.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts decreased slightly in FY 2011, with 407 compared to 438 in FY 2010. For the latest fiscal year, the city registered over 1,397 non-domiciled businesses, everything from construction companies to home service businesses.

The outlook for payroll and net profit collections for FY12 is anticipated to remain steady in Crestview Hills as the local and national economies continue to struggle. Because most of the land in Crestview Hills has been developed, it is unlikely the City will receive large year over year increases in business taxes in future years, rather slow and steady growth.

Residential real estate has experienced low sales activity over the last four years, mirroring the national economy. Commercial real estate has been slow as well; however, it is anticipated that if the local job market improves, commercial real estate should improve. In both cases, economists do not see a significant uptick in prices for at least five years. The City does not anticipate any significant new real estate development or increases in property tax revenues.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund 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. This is particularly true for future street maintenance activities, as many of the City's streets are approaching a point where rebuilds will need to be included in future CIP Plans. The City will also face steadily increasing costs for Public Safety and other employee expenses in coming years.

After extensive public input and research, the Crestview Hills City Council approved a tax offset for the cost of street maintenance performed by homeowner associations on private residential streets in

2010. This offset amounted to \$.025 per one hundred dollars of assessed valuation. The total cost to the City was approximately \$27,000 out of a total annual property tax collection of nearly \$600,000 for the 2010 tax year. The City Ordinance provides for a review of the offset at least every five years to ensure that it is consistent with HOA maintenance costs. The City does not currently foresee any significant changes to this offset cost over the next several years.

While the majority of the issues regarding private streets have been addressed, City officials will continue to work with the HOA's and the Northern Kentucky Sanitation District # 1 (SD #1) to forge a solution to stormwater facilities on private streets. During FY 2009-2010, the City handed over ownership of all below ground stormwater facilities to SD #1. Future maintenance of these facilities is now the responsibility of SD #1. However, SD #1 has declined to accept any stormwater facilities located on private streets to-date, leaving homeowners with a possibly significant future cost for repair or replacement. While the Sanitation District has chosen to not accept this stormwater infrastructure, the private street residents continue to pay a monthly stormwater fee just like homeowners on public streets.

During the summer of 2011, the City performed soil tests on College Park Drive and Centerview Parkway. Further tests will be conducted during the next year of other streets in the College Park Subdivision that appear to have base failures. The Geotechnical Engineers are recommending that College Park be rebuilt, and the City expects that other streets in this subdivision (which is over forty year old) will require rebuilding in coming years. This will be a substantial cost to the City and should be further quantified once a ten-year street plan is developed. This initiative will have an effect on the City's long term costs, as the amount of road aid received from the State of Kentucky is generally less than a third of the cost of one typical street replacement. The City's goal is to maintain all street infrastructure at a level of 80% or greater.

The City contracted with CDS Engineers in 2010 to assess the condition of two City bridges in Lookout Farm Subdivision. The report recommended both interim repairs to bridge railings and some erosion control measures on the embankments. The firm's engineers will make inspections every six months for the next two years to determine if the bridges must undergo more substantial renovation or replacement. If the abutments and wing walls are being undermined and separating, the City may face substantial costs down the road with these two bridges.

The City began work on the installation of a sidewalk along US 25 (Dixie Highway) in the fall of 2011. The majority of the project is funded through a federal Congestion Mitigation and Air Quality Grant (CMAQ), with the City paying 20% of the total project cost. The accepted bid for the project was substantially less than the engineering estimate, and the City anticipates significant savings from the budgeted amount. Improvements to this area will also include installation of a new bus shelter and installation of a new decorative planted area in the median of Dixie Highway. The concrete median is also being replaced by the City through a KYTC funded grant.

The 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 the current timetable for construction is the summer of 2012. All construction will be overseen by the Kentucky Transportation Cabinet.

Continuing increases in both retirement and medical costs will place pressure on future City budgets. Pension costs, especially for hazardous duty employees, are anticipated to nearly double over the next twelve years. While the City does not directly employ police and fire personnel, our contracts with Lakeside Park/Crestview Hills Police Authority and the City of Ft. Mitchell will certainly be affected by these higher pension costs. Public Safety (Police, Fire and EMS) constitute over 37% of the City's annual operating budget. Additionally, medical costs continue to rise and unless there are substantial changes at the federal level in cost containment, the City can expect this area to also be a future cost driver.

On the revenue side, while the City is blessed with a diverse and relatively stable tax base, there may be issues on the horizon that could impact future revenues. The two most notable are the continued declines in property values since the peak in 2007, and the recent trend we have seen with physician practices merging with the hospital system. Without the increase in PSC values in 2011 (telecommunication property), the City would have experienced another overall decrease in property values. The City Council, however, held the property tax rate from 2010 and will receive roughly the same revenue as the prior fiscal year. The trend of lower valuations is expected to continue the next couple of years through both taxpayer contested valuations and property selling for less than current assessment amount.

The other significant factor is the recent trend of physician group practices joining with St. Elizabeth Healthcare's Physicians' group. With this continuing trend, a number of businesses have come off the tax roll (becoming non-profit), and the City may experience further declines in Net Profit taxes. However, on a positive note, the retail center in Crestview Hills continues to thrive, and we might begin to see some upticks in Net Profits in this area for FY 2011-2012.

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 Federal and State 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, 2010 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 2010 - 2011 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 gaining the highest and best return. Accordingly, deposits were either insured by Federal depository insurance (FDIC) and/or collateralized.

The City in FY 2009-2010 switched insurance carriers after many years belonging to the Kentucky League of Cities Risk Management Pool. The City's new carrier, EMC Insurance, provides a full range of insured risks, including property and casualty, automobile, elected officials liability, and general liability insurance. The insurance limit of risk is 3 million with another 3 million umbrella, on a per occurrence basis. EMC provides a full range of risk management services, including loss control audits and safety training and accident prevention workshops. The City retains a three year financial commitment to the KLCIS Pool as a former member.

The City also switched Workers Compensation Insurance Coverage in 2010, choosing to utilize the Commonwealth of Kentucky operated Kentucky Employers Mutual Insurance program. This is the largest workers compensation program in the State. The coverage provides statutorily mandated benefits for all City employees.

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. The City maintains a Risk Management Committee consisting of the Mayor, City Attorney, City Administrator and Treasurer to periodically evaluate risks and ensure proper oversight of possible liability exposures. There are no known existing claims that would exceed the City's applicable coverage.

Awards and Acknowledgements

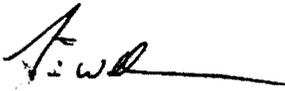
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crestview Hills for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the tenth consecutive 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.

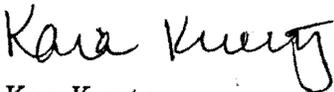
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 and City Council for their support in maintaining the highest standards of professionalism in the management of Crestview Hills finances.

Respectfully submitted,

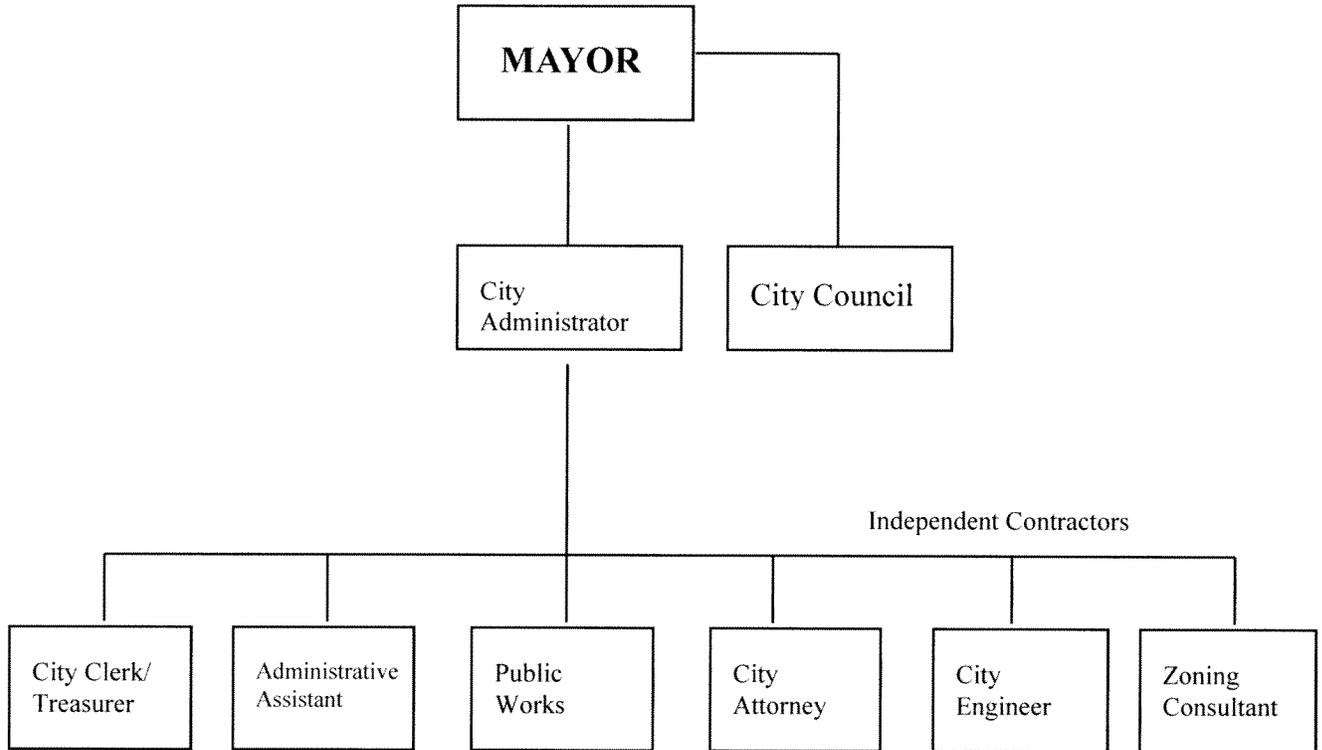


Tim Williams
City Administrator



Kara Kuertz
Finance Officer/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

KEN PALMER
Council Member

RALPH LAIRD
Council Member

THOMAS MOSER
Council Member

COLLEEN COLLINS-BRIGHT
Council Member

CITY ADMINISTRATION

Tim Williams
City Administrator

Kara Kuertz, Treasurer
Judy Rae Cox, City Clerk
Mary Ann Stewart, City Attorney
NKAPC, Building Inspector
NKAPC, Zoning Consultant
Jeff Smith, 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, 2010

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



President

Executive Director

FINANCIAL SECTION



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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crestview Hills, Kentucky's management. Our responsibility is to express opinions on these 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 basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 October 12, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 21 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crestview Hills, Kentucky's financial statements as a whole. The introductory section, nonmajor budgetary comparison schedule, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The nonmajor budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
October 12, 2011**

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CITY OF CRESTVIEW HILLS

A Kentucky Chamber of Commerce Hall of Fame City

PAUL W. MEIER, MAYOR

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, 2011. 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 \$62,735 over the prior year primarily due to the collection of delinquent property taxes in the prior year.
- The total cost of all City expenses decreased \$90,209 from the prior year.
- The General Fund reported a net increase in FY11 fund balance of \$203,345, compared to FY10 net increase of fund balance of \$175,871.

Overview of the Financial Statements. This discussion and analysis is 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, ambulance, street maintenance, planning and zoning, 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, both 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 and capital projects. 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 20 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 \$5,637,292 at the close of the 2011 fiscal year. The largest portion of the net assets reflects current and other assets (e.g., cash and cash equivalents). Investment in capital assets is the second largest portion of the net assets (e.g. land, building, machinery, equipment and infrastructure). 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 increased due to new infrastructure such as the street reconstruction for Rose Terrace and also the installation of traffic lights. Totals in unrestricted net assets have increased slightly as a result of the increase in revenues, and the decrease in public works and community development expenditures.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 3,962,156	\$ 4,289,433	\$ 4,307,773
Capital assets	<u>3,624,250</u>	<u>3,573,119</u>	<u>3,439,098</u>
Total assets	\$ <u>7,586,406</u>	\$ <u>7,862,552</u>	\$ <u>7,746,871</u>
Long term liabilities	2,279,864	2,164,204	2,056,109
Other liabilities	<u>59,253</u>	<u>227,662</u>	<u>53,470</u>
Total liabilities	\$ <u>2,339,117</u>	\$ <u>2,391,866</u>	\$ <u>2,109,579</u>
Net Assets			
Invested in capital assets, net of related debt	1,359,250	1,418,119	1,394,098
Unrestricted	<u>3,888,039</u>	<u>4,052,567</u>	<u>4,243,194</u>
Total net assets	\$ <u>5,247,289</u>	\$ <u>5,470,686</u>	\$ <u>5,637,292</u>

Governmental Activities. Governmental activities increased the City’s net assets by \$166,606 accounting for 100 percent of the total increase.

	<u>City of Crestview Hills Changes in Net Assets</u>		
	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:			
<u>Program Revenues:</u>			
Charges for services	\$ 29,590	\$ 20,975	\$ 21,036
Capital grants and contributions	52,492	55,555	75,755
<u>General Revenues:</u>			
Property taxes	573,494	599,773	581,200
Other taxes	1,730,165	1,768,991	1,798,809
Other revenues	100,628	130,354	42,302
Total revenues	<u>\$ 2,486,369</u>	<u>\$ 2,575,648</u>	<u>\$ 2,519,102</u>
Expenses:			
General government	593,327	596,205	576,874
Public Safety	952,783	1,010,548	1,051,286
Public works/streets	922,688	608,025	573,568
Community development	68,223	49,949	66,985
Interest on Long Term Debt	87,947	87,524	83,783
Total expenses	<u>2,624,968</u>	<u>2,352,251</u>	<u>2,352,496</u>
Increase or decrease in net assets before transfers	(138,599)	223,397	166,606
Transfers	-	-	-
Increase/decrease in net assets	(138,599)	223,397	166,606
Net assets prior year	5,385,888	5,247,289	5,470,686
Net assets current year	<u>\$ 5,249,289</u>	<u>\$ 5,470,686</u>	<u>\$ 5,637,292</u>

Governmental Activities: Revenues

Property tax rates increased for calendar year 2010. This is due to the reduction of over \$15,000,000 of property values this year which constituted a need to raise the property tax rate in order to keep the same revenue as is allowable by State Law (also known as the “Compensating Rate”). Some property values decreased in value by the Kenton County PVA. Also, two large properties were bought by St. Elizabeth Hospital and Thomas More College. Both St. Elizabeth Hospital and Thomas More College are exempt from property taxes.

Other taxes include payroll tax, occupational license and net profits. The total collection of licenses and permits accounts for 71% of the total revenue in FY11.

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, public safety (police, fire, animal control, and emergency medical), streets or public works (staffing, City 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

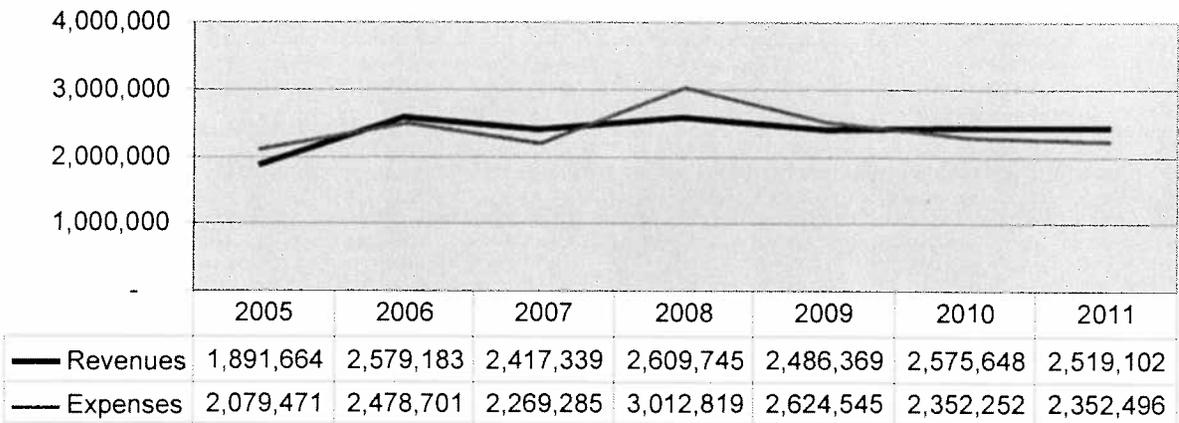
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Charges for Services	\$ 13,075	\$ 15,119	\$ 17,724	\$ 19,377	\$ 24,167
Road Aid	93,625	92,741	52,492	55,555	75,755
Business Taxes	1,560,881	1,657,719	1,730,165	1,768,991	1,798,809
Property Taxes	528,588	527,141	573,494	599,773	581,200
Licenses & Fines	630	95,919	11,856	1,598	(3,131) ¹
Interest Income	154,108	153,535	99,311	64,146	29,847
Other	66,432	67,571	1,327	66,208	12,455
	<u>\$ 2,417,339</u>	<u>\$ 2,609,745</u>	<u>\$ 2,486,369</u>	<u>\$ 2,575,648</u>	<u>\$ 2,519,102</u>

¹ Represents refunds in excess of revenues

Sources of Expenses

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
General Govt.	\$ 605,919	\$ 611,723	\$ 593,327	\$ 596,205	\$ 576,874
Community Dev.	36,125	42,609	68,223	49,949	66,985
Public Safety	987,138	985,510	852,783	1,010,548	1,051,286
Public Works	844,038	1,242,877	922,688	608,025	573,568
Debt Service	96,065	130,100	87,524	87,524	83,783
	<u>\$ 2,569,285</u>	<u>\$ 3,012,819</u>	<u>\$ 2,524,545</u>	<u>\$ 2,352,251</u>	<u>\$ 2,352,496</u>

Governmental Activities: Total Revenue & Expenditures



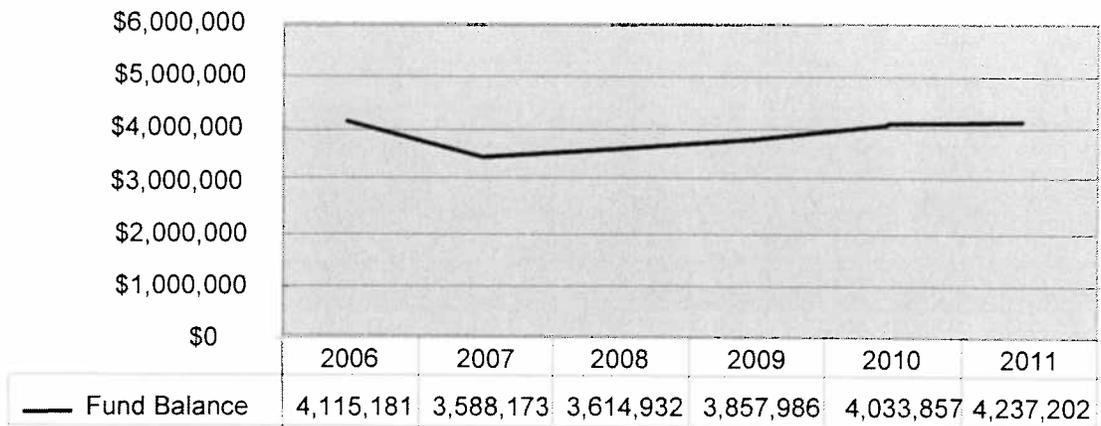
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$4.24 million, which is an increase of \$203,345 from last year. During the year, a net \$106,562 was transferred from the general fund to the capital projects fund. It is anticipated that the capital project expenditures will increase in the future. The City has several projects planned for FY 2012 such as: Dixie Highway sidewalk project, a landscaping/beautification project and also a bridge repair project, along with annual street maintenance and repair projects.

General Fund Transfers Out:

- \$106,562 to the Capital Projects.

Total General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

Expenditures were less than budgeted amounts by \$1,221,303. The City had budgeted for certain capital projects that were not started in the 2010-11 fiscal year. Debt service expenditures were budgeted under general government. This is the second consecutive year that the City's expenditures have been less than revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2011, the City had \$3.4 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, 2011, the City had \$2,045,000 in outstanding general obligation bonds compared to \$2,155,000 in the prior year, a decrease of \$110,000. The average annual debt service is \$194,000.

The Crestview Hills Finance Committee will assess the interest rate on the bonds in year 2015. At that time The Finance Committee will also determine the financial outlook of the City. The Committee will decide whether or not to pay off the bonds of the City Building or to keep the reserves for future use. Paying off the bonds would significantly reduce debt obligations on future councils; however it depends on the City's financial health and prevailing interest rates at that time. 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 relies to a great extent on professional office and retail. The City's activities are primarily funded through business taxes collected from medical offices, general office, retail and education. The largest source of revenue by far is the payroll tax of 1% on all wages up to \$ 106,800 (for 2011) earned within City limits.

We are seeing physician offices located in Crestview Hills partnering with the nearby hospital St. Elizabeth Healthcare. St. Elizabeth Hospital and its subsidiary Physicians Group is tax exempt which has decreased the amount of net annual profit taxes received. The consolidations have also reduced back office employment of those medical practices in the City as those functions have been relocated to another city

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 Financial Office/Treasurer, Kara Kuertz , 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, 2011

	<u>Primary Governmental Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,825,068
Receivables	
Taxes	1,513
Accounts	401,304
Other governments	13,890
Prepays	17,750
Deferred charges	48,248
Capital assets not being depreciated	260,000
Capital assets, net of accumulated depreciation	<u>3,179,098</u>
Total assets	<u>7,746,871</u>
LIABILITIES	
Accrued liabilities	16,210
Accrued interest payable	32,660
Deferred revenue	4,600
Noncurrent liabilities:	
Due within one year	117,000
Due in more than one year	<u>1,939,109</u>
Total liabilities	<u>2,109,579</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,394,098
Unrestricted	<u>4,243,194</u>
Total net assets	<u>\$ 5,637,292</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

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	\$ 576,874	\$ (3,131)	\$ -	\$ (580,005)
Public safety	1,051,286	4,385	-	(1,046,901)
Public works	573,568	-	75,755	(497,813)
Community development	66,985	19,782	-	(47,203)
Interest and other debt costs	83,783	-	-	(83,783)
Total governmental activities	<u>2,352,496</u>	<u>21,036</u>	<u>75,755</u>	<u>(2,255,705)</u>
Total primary government	<u>\$ 2,352,496</u>	<u>\$ 21,036</u>	<u>\$ 75,755</u>	<u>\$ (2,255,705)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 581,200
Taxes levied for bank deposits				36,931
Public service taxes and licenses and permits				1,761,878
Interest				29,847
Miscellaneous				12,455
Total general revenues				<u>2,422,311</u>
Change in net assets				166,606
Net assets-beginning				<u>5,470,686</u>
Net assets-ending				<u>\$ 5,637,292</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,825,068	\$ -	\$ 3,825,068
Receivables			
Taxes	1,513	-	1,513
Accounts	401,304	-	401,304
Accrued interest	-	-	-
Other governments	13,890	-	13,890
Prepays	17,750	-	17,750
Total assets	<u>\$ 4,259,525</u>	<u>\$ -</u>	<u>\$ 4,259,525</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 16,210	\$ -	\$ 16,210
Deferred revenue	6,113	-	6,113
Total liabilities	<u>22,323</u>	<u>-</u>	<u>22,323</u>
Fund balances:			
Nonspendable-prepays	17,750	-	17,750
Assigned-capital projects	246,913	-	246,913
Unassigned	3,972,539	-	3,972,539
Total fund balances	<u>4,237,202</u>	<u>-</u>	<u>4,237,202</u>
Total liabilities and fund balances	<u>\$ 4,259,525</u>	<u>\$ -</u>	<u>\$ 4,259,525</u>
Total governmental fund balance			\$ 4,237,202
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.			3,490,229
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			1,513
Costs of debt issuance and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.			48,248
Accrued interest on long-term debt.			(32,660)
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported in the funds.			(2,059,204)
Net assets of governmental activities			<u>\$ 5,685,328</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, 2011

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 590,355	\$ -	\$ 590,355
Licenses and permits	1,798,809	-	1,798,809
Intergovernmental	75,755	-	75,755
Charges for services	21,990	-	21,990
Fines and forfeitures	(954)	-	(954)
Interest	29,847	-	29,847
Miscellaneous	12,455	-	12,455
Total revenues	<u>2,528,257</u>	<u>-</u>	<u>2,528,257</u>
EXPENDITURES			
Current:			
General government	489,698	-	489,698
Public safety	1,051,286	-	1,051,286
Public works	418,256	106,562	524,818
Community development	66,985	-	66,985
Debt service:			
Principal	110,000	-	110,000
Interest	82,125	-	82,125
Total expenditures	<u>2,218,350</u>	<u>106,562</u>	<u>2,324,912</u>
Excess (deficiency) of revenues over expenditures	<u>309,907</u>	<u>(106,562)</u>	<u>203,345</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	106,562	106,562
Transfers out	<u>(106,562)</u>	<u>-</u>	<u>(106,562)</u>
Total other financing sources and uses	<u>(106,562)</u>	<u>106,562</u>	<u>-</u>
Net change in fund balances	203,345	-	203,345
Fund balances - beginning	<u>4,033,857</u>	<u>-</u>	<u>3,857,986</u>
Fund balances - ending	<u>\$ 4,237,202</u>	<u>\$ -</u>	<u>\$ 4,237,202</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, 2011

Net change in fund balances-total governmental funds	\$ 203,345
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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:</p>	
Capital asset purchases capitalized	179,134
Depreciation expense	(313,155)
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.	(9,155)
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in governmental funds.	1,559
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.	(1,905)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	110,000
	<hr/>
Change in net assets of governmental activities.	\$ <u>166,606</u>

See accompanying notes to the basic financial statements.

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.

Date of Management's Review

Subsequent events were evaluated through October 12, 2011, which is the date the financial statements were available to be issued.

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 of 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.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 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.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. Commercial paper rated in the highest category by a nationally recognized rating agency.
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 Taxes and Tax Calendar

Property taxes are levied as of January 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. Property tax rates for the year ended June 30, 2011 were \$.1520 per \$100 valuation for real property. The assessed value of property on which the levy for 2010 was based was \$395,539,440.

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, 2011 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.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 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 components of fund balance for amounts that are nonspendable, assigned or unassigned. Nonspendable fund balances are resources that cannot be spent because of their form and because resources must be maintained intact. Assigned fund balance are those that are constrained by the government's intent to be used for specific purposes. Unassigned fund balance is the residual classification for the general fund. The assigned amounts can only be used when expenditures for the amounts set aside for that specific purpose are incurred.

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.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Restricted Revenues

When there are restricted and unrestricted revenues in a program, the City's policy is that the restricted revenues are expended first.

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.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE C-DEPOSITS

As of June 30, 2011, 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, 2011, 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.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Retirements/ Deletions	Balance June 30, 2011
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	2,590,889	-	-	2,590,889
Improvements/infrastructure	8,957,468	154,073	-	9,111,541
Equipment	178,549	-	-	178,549
Vehicles	36,852	25,061	-	61,913
Subtotal	<u>11,763,758</u>	<u>179,134</u>	<u>-</u>	<u>11,942,892</u>
Accumulated depreciation:				
Buildings	(350,618)	(88,425)	-	(439,043)
Improvements/infrastructure	(7,986,078)	(202,824)	-	(8,188,902)
Equipment	(93,593)	(15,275)	-	(108,868)
Vehicles	(20,350)	(6,631)	-	(26,981)
Subtotal	<u>(8,450,639)</u>	<u>(313,155)</u>	<u>-</u>	<u>(8,763,794)</u>
Net other assets	<u>3,313,119</u>	<u>(134,021)</u>	<u>-</u>	<u>3,179,098</u>
Net capital assets	<u>\$ 3,573,119</u>	<u>\$ (134,021)</u>	<u>\$ -</u>	<u>\$ 3,439,098</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 110,331
Highways and streets	202,824
Total governmental activities depreciation expense	<u>\$ 313,155</u>

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

Year Ended June 30,	Principal	Interest
2012	115,000	78,385
2013	120,000	74,475
2014	125,000	70,395
2015	125,000	66,145
2016	130,000	59,457
2017-2020	570,000	199,176
2021-2025	860,000	109,032
	\$ <u>2,045,000</u>	\$ <u>657,065</u>

Changes in Long-Term Liabilities

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

	June 30, 2010	Additions	Retirements	June 30, 2011	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 9,204	\$ 1,905	\$ -	\$ 11,109	\$ 2,000
Bonds payable	2,155,000	-	110,000	2,045,000	115,000
Totals	\$ <u>2,164,204</u>	\$ <u>1,905</u>	\$ <u>110,000</u>	\$ <u>2,056,109</u>	\$ <u>117,000</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.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2011</p>

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.

Non-hazardous Contributions - For the year ended June 30, 2011 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, 2011, participating employers contributed 16.93% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 16.93% 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
2011	\$ 37,195	100%
2010	\$ 36,267	100%
2009	\$ 26,588	100%

Medical Insurance Plan

The CERS provides post-retirement healthcare benefits to eligible members and dependents, under cost sharing multiple employer defined benefit plans. Medical benefits are offered to members who have retired for service or disability. The post-retirement healthcare is financed through member and employer contributions.

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 EMC Mutual Insurance. 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, 2011, 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.

NOTE J-JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with one other local governmental entity that provided 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 five members. 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, 2011 was \$ 843,218. The City has committed to extending the agreement for the year ended June 30, 2012. Either party may cancel its participation upon a ninety (90) day written notice.

NOTE K-COMMITMENTS

On April 1, 2009, the City entered into an agreement with the City of Ft. Mitchell for Ft. Mitchell to provide fire and basic life support services for Crestview Hills. The agreement terminates on March 31, 2013, with two additional two year terms by mutual agreement. The first year contract amount was \$155,000 with a four percent increase in each additional year.

Effective July 1, 2010, the City entered into a two year agreement with Rumpke of Kentucky, Inc. for solid waste collection and recycling services. The contract is for \$168,419 for each of the two years.

On September 22, 2011, the Cities of Crestview Hills and Edgewood entered into a joint project for \$246,913 contract with Jarco Construction, Inc. for the Dixie Highway sidewalk project. This project is for a six-foot-wide sidewalk and a bus shelter on a section of Dixie Highway.

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2011

Required Supplementary Information

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 3,437,609	\$ 3,437,609	\$ 4,033,857	\$ 596,248
Resources (inflows):				
Taxes	569,700	569,700	590,355	20,655
Licenses and permits	1,578,205	1,578,205	1,798,809	220,604
Intergovernmental	413,050	413,050	75,755	(337,295)
Charges for services	15,725	15,725	21,990	6,265
Fines and forfeitures	3,600	3,600	(954)	(4,554)
Interest	31,000	31,000	29,847	(1,153)
Miscellaneous	4,000	4,000	12,455	8,455
Amounts available for appropriation	<u>6,052,889</u>	<u>6,052,889</u>	<u>6,562,114</u>	<u>509,225</u>
Charges to appropriations (outflows)				
General government	770,870	738,595	489,698	248,897
Public safety	1,061,820	1,060,570	1,051,286	9,284
Public works	1,032,675	1,057,900	418,256	639,644
Community development	90,000	98,300	66,985	31,315
Debt Service				
Principal	-	-	110,000	(110,000)
Interest	-	-	82,125	(82,125)
Transfers out	<u>595,850</u>	<u>590,850</u>	<u>106,562</u>	<u>484,288</u>
Total charges to appropriations	<u>3,551,215</u>	<u>3,546,215</u>	<u>2,324,912</u>	<u>1,221,303</u>
Budgetary fund balance, June 30	\$ <u><u>2,501,674</u></u>	\$ <u><u>2,506,674</u></u>	\$ <u><u>4,237,202</u></u>	\$ <u><u>1,730,528</u></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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental				-
Transfers in	595,850	590,850	106,562	(484,288)
Amounts available for appropriation	<u>595,850</u>	<u>590,850</u>	<u>106,562</u>	<u>(484,288)</u>
Charges to appropriations (outflows):				
Public works-Capital projects	595,850	590,850	106,562	484,288
Total charges to appropriations	<u>595,850</u>	<u>590,850</u>	<u>106,562</u>	<u>484,288</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.

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STATISTICAL SECTION
(UNAUDITED)

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 Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
PRIMARY GOVERNMENTAL GOVERNMENTAL ACTIVITIES										
Invested in capital assets, net of related debt	\$ 3,791,493	\$ 3,500,603	\$ 3,096,562	\$ 2,860,901	\$ 1,799,928	\$ 2,092,641	\$ 1,743,862	\$ 1,359,250	\$ 1,418,119	\$ 1,394,098
Restricted	1,809,045	1,980,444	-	-	677,798	-	-	-	-	-
Unrestricted	595,459	751,445	3,045,804	3,093,658	3,568,315	3,742,916	3,642,026	3,888,039	4,052,567	4,243,194
Total governmental activities net asset	<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>	<u>\$ 5,470,686</u>	<u>\$ 5,637,292</u>

CITY OF CRESTVIEW HILLS, KENTUCKY

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 8,523	\$ 5,198	\$ 8,217	\$ 12	\$ 17	\$ 630	\$ 3,109	\$ 11,860	\$ 1,598	\$ (3,131)
Public safety	-	-	-	-	-	-	2,200	2,200	3,995	4,385
Community development	13,446	14,679	16,567	12,945	16,001	13,075	12,885	15,520	15,382	19,782
Capital grants and contributions	44,813	44,248	43,501	47,872	388,423	93,625	92,741	52,492	55,555	75,755
Total governmental activities	66,782	64,125	68,285	60,829	404,441	107,330	110,935	82,072	76,530	96,791
Total primary government										
program revenues	\$ 66,782	\$ 64,125	\$ 68,285	\$ 60,829	\$ 404,441	\$ 107,330	\$ 110,935	\$ 82,072	\$ 76,530	\$ 96,791
Expenses										
Governmental activities:										
General government	\$ 433,000	\$ 353,070	\$ 413,170	\$ 395,847	\$ 407,071	\$ 605,919	\$ 611,723	\$ 593,327	\$ 596,205	\$ 576,874
Public safety	593,830	631,733	671,650	739,136	736,596	987,138	985,510	952,783	1,010,548	1,051,286
Public works	702,545	740,497	794,899	869,657	1,271,896	844,038	1,242,877	922,688	608,025	573,568
Community development	57,515	47,308	32,481	74,831	29,353	36,125	42,609	68,223	49,949	66,985
Interest on long-term debt	-	-	-	-	42,785	96,065	130,100	87,947	87,524	83,783
Total governmental activities	1,786,890	1,772,608	1,912,200	2,079,471	2,487,701	2,569,285	3,012,819	2,624,968	2,352,251	2,352,496
Total primary government expense	\$ 1,786,890	\$ 1,772,608	\$ 1,912,200	\$ 2,079,471	\$ 2,487,701	\$ 2,569,285	\$ 3,012,819	\$ 2,624,968	\$ 2,352,251	\$ 2,352,496
Net (expense)/revenue	\$ (1,720,108)	\$ (1,708,483)	\$ (1,843,915)	\$ (2,018,642)	\$ (2,083,260)	\$ (2,461,955)	\$ (2,901,884)	\$ (2,542,896)	\$ (2,275,721)	\$ (2,255,705)
Governmental activities										
Total primary government net expense	\$ (1,720,108)	\$ (1,708,483)	\$ (1,843,915)	\$ (2,018,642)	\$ (2,083,260)	\$ (2,461,955)	\$ (2,901,884)	\$ (2,542,896)	\$ (2,275,721)	\$ (2,255,705)
General Revenues and Other										
Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes, levied for										
general purposes	\$ 416,802	\$ 437,229	\$ 437,147	\$ 468,223	\$ 501,212	\$ 528,588	\$ 527,141	\$ 573,494	\$ 599,773	\$ 581,200
Bank deposit taxes	15,209	13,183	15,369	16,001	18,873	21,775	24,998	27,015	33,003	36,931
Public service taxes	1,047,784	1,185,112	1,181,279	1,256,327	1,481,646	1,539,106	1,678,335	1,703,150	1,735,988	1,761,878
Interest	76,720	54,873	54,482	82,807	166,756	154,108	153,535	99,311	64,146	29,847
Miscellaneous	22,683	4,665	65,512	7,477	6,255	66,432	9,668	1,327	66,208	12,455
Total governmental activities	1,579,198	1,695,062	1,753,789	1,830,835	2,174,742	2,310,009	2,393,677	2,404,297	2,499,118	2,422,311
Total primary government	\$ 1,579,198	\$ 1,695,062	\$ 1,753,789	\$ 1,830,835	\$ 2,174,742	\$ 2,310,009	\$ 2,393,677	\$ 2,404,297	\$ 2,499,118	\$ 2,422,311
Change in net assets										
Governmental activities	\$ (140,910)	\$ (13,421)	\$ (90,126)	\$ (187,807)	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606
Total primary government	\$ (140,910)	\$ (13,421)	\$ (90,126)	\$ (187,807)	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606

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

Fiscal Year	Property Tax	Public Service Tax	Bank Deposits Tax	Total
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
2010	\$ 599,773	\$ 1,735,988	\$ 33,003	\$ 2,368,764
2011	\$ 581,200	\$ 1,761,878	\$ 36,931	\$ 2,380,009

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

CITY OF CRESTVIEW HILLS, KENTUCKY

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GENERAL FUND										
Reserved	\$ 1,818,985	\$ 1,980,444	\$ 2,320,933	\$ 2,354,693	\$ 2,550,061	\$ 2,726,798	\$ 2,811,109	\$ 2,914,995	\$ 2,968,392	\$ -
Unreserved	587,455	742,165	709,825	699,336	887,322	861,375	803,823	942,991	1,065,465	-
Nonspendable	-	-	-	-	-	-	-	-	-	17,750
Assigned - capital projects	-	-	-	-	-	-	-	-	-	246,913
Unassigned	-	-	-	-	-	-	-	-	-	3,972,539
Total general fund	\$ 2,406,440	\$ 2,722,609	\$ 3,030,758	\$ 3,054,029	\$ 3,437,383	\$ 3,588,173	\$ 3,614,932	\$ 3,857,986	\$ 4,033,857	\$ 4,237,202

CITY OF CRESTVIEW HILLS, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	\$ 1,312,328	\$ 1,383,774	\$ 1,467,352	\$ 451,140	\$ 500,614	\$ 537,713	\$ 575,720	\$ 566,925	\$ 615,117	\$ 590,355
Licenses and permits	131,648	248,034	172,393	1,272,328	1,481,646	1,537,452	1,678,335	1,730,165	1,768,991	1,798,809
Intergovernmental	44,816	44,118	43,501	47,872	388,423	93,625	92,741	52,492	55,555	75,755
Fines and forfeitures	8,523	5,198	4,001	3,137	3,157	4,579	53,679	11,856	3,376	(954)
Charges for services	-	-	16,567	12,957	16,018	13,705	15,119	17,724	17,599	21,990
Interest	76,720	54,873	54,482	82,807	166,756	154,108	153,535	99,311	64,146	29,847
Miscellaneous	36,129	19,474	65,512	4,340	3,098	61,853	9,668	1,327	66,208	12,455
Total revenues	1,610,164	1,755,471	1,823,808	1,874,581	2,559,712	2,403,035	2,578,797	2,479,800	2,590,992	2,528,257
EXPENDITURES										
Current:										
General government	421,508	343,724	420,078	378,902	389,275	469,564	485,465	503,140	494,272	489,698
Public Safety	593,830	631,733	671,650	739,136	736,596	987,138	985,510	952,783	1,010,548	1,051,286
Public works	297,209	289,922	304,712	358,627	635,459	443,642	845,619	518,165	664,487	524,818
Community development	57,515	47,050	32,481	74,831	42,785	36,125	42,609	68,223	49,949	66,985
Capital expenditures	-	-	-	16,223	6,205	2,853	-	-	-	-
Capital outlay	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	107,724	100,000	105,000	110,000	110,000
Interest	-	-	-	-	29,353	96,065	92,835	89,435	85,865	82,125
Total expenditures	1,622,490	1,439,302	1,515,659	1,851,310	3,999,227	2,930,043	2,552,038	2,236,746	2,415,121	2,324,912
Excess(deficiency) of revenues over(under) expenditures	(12,326)	316,169	308,149	23,271	(1,439,515)	(527,008)	26,759	243,054	175,871	203,345
OTHER FINANCING SOURCES(USES)										
Bond issue	-	-	-	-	2,565,000	-	-	-	-	-
Bond issue costs	-	-	-	-	(64,333)	-	-	-	-	-
Transfers in	245,036	107,438	73,713	276,091	298,152	179,475	418,827	142,577	258,680	106,562
Transfers out	(245,036)	(107,438)	(73,713)	(276,091)	(298,152)	(179,475)	(418,827)	(142,577)	(258,680)	(106,562)
Total other financing sources and uses	-	-	-	-	2,500,667	-	-	-	-	-
Net change in fund balances	\$ (12,326)	\$ 316,169	\$ 308,149	\$ 23,271	\$ 1,061,152	\$ (527,008)	\$ 26,759	\$ 243,054	\$ 175,871	\$ 203,345
Debt service as a percentage of noncapital expenditures	0.005	0.006	0.005	0.005	0.035	0.105	0.094	0.094	0.091	0.087

CITY OF CRESTVIEW HILLS, KENTUCKY
Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property	Public	Bank	Total
	Tax	Service	Deposits	
	Tax	Tax	Tax	
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
2010	\$ 582,114	\$ 1,768,991	\$ 33,003	\$ 2,384,108
2011	\$ 590,355	\$ 1,761,878	\$ 36,931	\$ 2,389,164

The Public Service Tax consists of occupational, net profit and payroll license fees treated as public service taxes. The revenue base for the public service taxes (license fees) is not available, in that the City is not the actual tax collector. The payroll license fees are based on a rate of 1% of total payroll of all persons working in the City up to a maximum of \$106,800. The net profit license fee is based on a rate of .75% of net profits earned in the City.

CITY OF CRESTVIEW HILLS, KENTUCKY

Assessed Value of Taxable Property

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2010	472,415,708	-	61,450,643	410,965,065	0.1455
2011	464,245,283	-	68,371,543	395,873,740	0.1520

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**

Fiscal Year	City of Crestview Hills	Overlapping rates County			Total Direct and Overlapping Rates
		Kenton County	School District	Others	
2002	0.1525	0.1310	0.485	0.110	0.8785
2003	0.1525	0.1310	0.492	0.112	0.8875
2004	0.1525	0.1310	0.548	0.115	0.9465
2005	0.1525	0.1350	0.556	0.132	0.9755
2006	0.1525	0.1360	0.556	0.135	0.9795
2007	0.1525	0.1380	0.564	0.141	0.9955
2008	0.1525	0.1410	0.558	0.148	0.9995
2009	0.1415	0.1420	0.558	0.153	0.9945
2010	0.1455	0.1480	0.557	0.165	1.0155
2011	0.1520	0.1151	0.557	0.999	1.8232

(1) Per \$100 assessed valuation

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

Other taxing districts include the Kenton County Library, Health District, TANK, and Extension District. These additional taxing districts were not included in previous years.

CITY OF CRESTVIEW HILLS, KENTUCKY

Principal Property Taxpayers

June 30, 2011

Taxpayer	2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 31,693,380	1	8.01%
Columbia Sussex Corporation	14,000,000	2	3.54%
Grandview Summit Apartments	12,000,000	3	3.03%
Higbee Company	11,555,000	4	2.92%
N. Ky. Racquet Clubs, Inc.	6,580,800	5	1.67%
St. Elizabeth Medical Center ¹	5,076,000	6	1.28%
Atria Summit Hills LLC	4,500,000	7	1.14%
Chapel Place D LLC	4,400,000	8	1.11%
Thomas More/Hemmer II LTD	4,391,100	9	1.11%
Summit Hills Country Club Inc.	3,937,500	10	0.99%
TOTAL	\$ 98,133,780		24.80%

Taxpayer	2002		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Valley View Ridge, LTD	\$ 19,266,000	1	5.80%
Crestview Hills Mall	11,953,000	2	3.60%
Atria Communities, Inc.	6,970,000	3	2.00%
Northern KY Racquet Club Inc.	5,234,000	4	1.50%
Summit Hills Country Club Inc.	4,076,600	5	1.20%
Crestview Hills Bank	3,930,000	6	1.20%
Thomas More Hemmer II LTD	3,750,000	7	1.10%
Thomas More Hemmer II LTD	3,516,500	8	1.00%
Square D Co.	2,960,100	9	0.80%
Thomas More Hemmer II LTD	2,520,500	10	0.70%
TOTAL	\$ 64,176,700		18.90%

Source - Kenton County PVA

¹ St. Elizabeth Medical Center purchased a commercial building that was on the property tax roll. They paid property taxes for the 2010 tax year. In 2011, they will pay no taxes because they are a tax-exempt entity.

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
2002	\$ 415,285	\$ 383,908	92%	\$ (2,923)	\$ 380,984	92%
2003	430,405	429,298	100%	1,107	430,405	100%
2004	433,138	430,604	99%	2,534	433,138	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%	5,240	525,896	100%
2009	567,718	530,212	93%	36,369	566,581	100%
2010	597,713	590,730	99%	5,567	596,297	99%
2011	584,788	583,275	100%	-	583,275	100%

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 Bonds	Notes			
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%
2010	2,155,000	-	2,155,000	565	0.01%
2011	2,045,000	-	2,045,000	650	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. The 2010 Census lowered the City's population resulting in a higher per capita amount.

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

Fiscal Year	General Obligations Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita(2)
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
2010	2,155,000	-	2,155,000	0.46%	565
2011	2,045,000	-	2,045,000	0.44%	650

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, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Kenton County (2)	\$ 93,089,673	4.03%	\$ 3,751,514
Kenton County School District (3)	171,658,063	4.83%	8,291,084
Other Kenton County Governments (4)	<u>18,929,965</u>	4.03%	<u>762,878</u>
Subtotal for overlapping debt	283,677,701		12,805,476
City of Crestview Hills direct debt	<u>2,045,000</u>		<u>2,045,000</u>
 Total direct and overlapping	 \$ <u>285,722,701</u>		 \$ <u>14,850,476</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.

(4) Kenton County Public Library, Kenton County Public Health Taxing District, TANK and Kenton County Extension District.

CITY OF CRESTVIEW HILLS, KENTUCKY

Legal Debt Margin Information

Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 27,209,840	\$ 28,154,750	\$ 28,234,100	\$ 29,717,845	\$ 31,606,790	\$ 39,258,933	\$ 40,025,953	\$ 46,087,651	\$ 47,241,571	\$ 46,424,528
Total net debt applicable to limit	-	-	-	-	2,565,000	2,470,000	2,370,000	2,265,000	2,155,000	2,045,000
Legal debt margin	27,269,840	28,154,750	28,234,100	29,717,845	29,041,790	36,788,933	37,655,953	43,822,651	45,086,571	44,379,528
Total net debt applicable to the limit as a percentage of debt limit					8.12%	6.29%	5.92%	4.91%	4.56%	4.40%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 395,873,740
Add back: exempt real property	68,371,543
Total assessed value	<u>464,245,283</u>
Debt limit(10% of total assessed value)	46,424,528
Debt applicable to limit:	
General obligation bonds	2,045,000
Less: amount set aside for repayment general obligation debt	
Total net debt applicable to limit	<u>2,045,000</u>
Legal debt margin	<u>\$ 44,379,528</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)
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%
2010	3,816	\$57,001	\$217,516	44.0	9.9%
2011	3,148	\$57,473	\$217,516	44.0	9.9%

(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

2011		
<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Diocese of Covington	1	8.2%
Thomas More College	2	6.4%
St. Elizabeth Physicians	3	5.9%
Fischer Management Inc.	4	3.7%
Columbia Sussex Corporation	5	3.5%
Higbee Company	6	2.6%
The Bank of Kentucky Inc.	7	2.6%
Children's Hospital Medical Center	8	2.5%
St. Elizabeth Physician Svcs	9	2.4%
Seed Strategy Inc.	10	<u>1.6%</u>
TOTAL		<u><u>39.4%</u></u>
2002		
<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Thomas More College	1	8.7%
Fischer Management Inc.	2	6.5%
Schneider Electric USA Inc	3	6.4%
Huntington Kentucky LLC	4	4.5%
Dressman Benzinger Lavelle PSC	5	2.7%
Five Seasons Sports CC Inc	6	2.2%
Internal Med Assoc of N KY PSC	7	2.1%
Summit Hills Golf Club Inc	8	2.0%
Apple Sauce Inc	9	1.6%
DVA Renal Healthcare Inc	10	<u>1.0%</u>
		<u><u>37.7%</u></u>

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Full-time Equivalent Employees as of June 30										
Function										
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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	66	66	66	73	73	73	73

Source: Various city departments

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

Fire function is contracted with the City of Ft. Mitchell, Kentucky.

Emergency Medical Service is contracted with Rural Metro Ambulance.

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

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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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 12, 2011. 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.

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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

A handwritten signature in black ink that reads "Rankin, Rankin + Company". The signature is written in a cursive, flowing style.

**Ft. Wright, Kentucky
October 12, 2011**

CITY OF CRESTVIEW HILLS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

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.