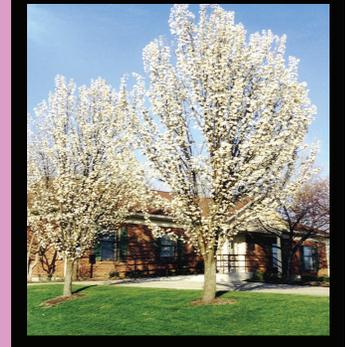
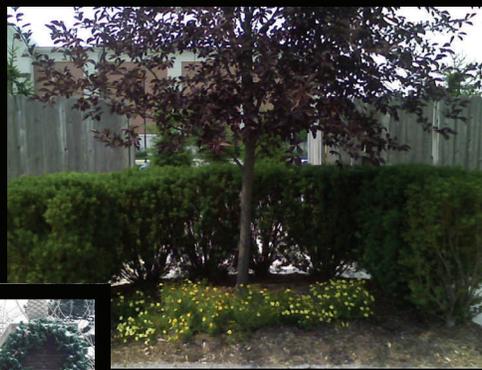




City of Crestview Hills, Kentucky

Comprehensive Annual Financial Report For year ending June 30, 2008



CITY OF CRESTVIEW HILLS, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

Prepared by:

C. R. Wirthlin

City Treasurer

CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

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CITY OF CRESTVIEW HILLS

A Kentucky Chamber of Commerce Hall of Fame City

PAUL W. MEIER, MAYOR

December 1, 2008

To: the Citizens of the City of Crestview Hills,
the Honorable Mayor and,
Members of the Governing 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, 2008.

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, 2008. 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 streets and rights-of-way, recreational activities, and general administrative functions. Contracted services include police and fire protection, city-wide landscaping maintenance of median strips and right-of-way plantings, animal control services, basic and advanced emergency medical service, building, zoning and code enforcement.

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

Profile of the Government

The City of Crestview Hills, incorporated in 1951, is located in the Northern most tip of Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,604 (est.7/1/2007 by U.S. Census) and a day population of approximately 9,500. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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

The annual budget serves as the foundation for the City of Crestview Hills financial planning and control. All committees of the City are required to submit requests for appropriation to the City Administrator on or before the second Thursday in April. The City Treasurer then uses these figures as the starting point for developing a proposed budget. The budget is reviewed by the Finance Committee 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 not 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 11 miles southeast of Cincinnati. The City is distinguished by its high-end residential neighborhoods, a four-year liberal arts college (Thomas More), 2 country clubs, and “lifestyle center,” the Crestview Hills Town Center. Crestview Hills’ economy is mostly service based. The four key economic areas vital to the City’s tax base are: the service industry, medical profession, country club, and the town center area.

The City has been very fortunate in the development of the Research Park area along Thomas More Parkway. There is one vacant lot and several undeveloped lots with much potential. The Research

Park is close to the Greater Cincinnati/Northern Kentucky Airport with relatively easy access to I-75, I-71, and I-275. Any Northern Kentucky city and downtown Cincinnati is a few minutes away, yet this location is suburban and residential in nature. The Research Park houses day spas, specialty physicians, attorneys, banks, country clubs, a college, a gymnastics training facility, children's care facilities, and corporate offices in an aesthetically pleasing environment with possibly the lowest overall tax rate in the area and all the amenities.

The City expects payroll tax from businesses located in the Research Park to slightly rise in the coming fiscal year and then level off as the City and the developers continue to market Crestview Hills as a premiere business location. Within fiscal year 08, medical facilities and other business offices have located in the Research Park with the largest project being the completion of an eight-story building which houses the headquarters for Columbia Sussex, a moderate holder of hotels and casinos. A strip-mall style office building was added to the rolls this fiscal year, as was a stand-alone medical facility, all of which are expected to assist with the Research Park's slight overall increase in payroll taxes.

If not for the present national economy, the increase could be more significant, but several businesses within the Research Park are known to have reduced their staff. A noticeable reduction of staff has been observed within the Town Center and two to four stores are expected to close before the end of the calendar year, if sales do not improve. The holiday season is highly anticipated and could be the make/break factor for the two to four stores. We think likely the holiday season will be a bright one for the retailers despite the sharp downturn of jobs in the Greater Cincinnati region. In October, 2008 the addition of a banking branch on Turkeyfoot Road will assist in the bolstering of payroll tax revenue.

A two-story commercial building is being projected on Crestview Hills Mall Road across from the City Building, although currently there is no time table for submission of plans or probable uses or tenants.

Net profit fees are expected to meet projection, but mostly due to extensions that were filed in April. It is not expected that the full effect of the economic downturn will be felt until FY10. Regardless of the economic condition, Crestview Hills looks forward to continuing a positive working relationship with all current and potential future businesses in the Research Park and shopping center zone.

Residential real estate is expected to experience a further slow down in sales activity, even with the attraction that the up-scale Crestview Hills' homes have for wealthy retirees and those wishing to escape from the urban environment, as well as the current relatively low mortgage rates. The local economy has just felt the same downturn within the first six months of the calendar year, as the rest of the national economy. The City should remain cautious in that it has a limited product mix for its tax base, with inadequate diversification for hedging against those economic slumps that impinge on the service industry.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund (31% of total general fund revenues) has exceeded policy guidelines set by Council by recommendation of the Finance Committee for budgetary and planning purposes (i.e., between 15 and 20 percent of total general fund revenues). This balance is being guarded closely as it is likely that payroll tax, property tax, and net profit tax revenue

will experience decline in FY 10 and possibly beyond. Many municipalities have already experienced noteworthy dips in taxation revenues due mostly to higher unemployment figures and skyrocketing foreclosure rates. The Finance Committee and management team for the City of Crestview Hills is closely monitoring the financial conditions of local economies and making needed efforts to scale back where necessary while still providing an expected level of service.

The Public Works committee proposed in FY07 that the City of Crestview Hills participate in the repair of privately owned ponds specifically, for now, in the Old Crestview Hills subdivision, and privately owned condominium streets throughout the City. The matters were brought before City Council with decisions made by the Mayor and Council in the negative. In FY 08, the Kentucky Attorney General's opinion on the [ponds] matter was sought and it was affirmed that a City cannot spend public tax dollars on privately owned property.

Privately owned condominium streets were mentioned in addition as desired City undertakings for the near future. This issue has been ongoing since at least 1995 as condominium owners and respective associations have not anticipated the cost of street repairs, no longer wish the financial burden be placed upon them, and desire the City to take them over, as is. The City could be under legal obligation to bring any newly dedicated street up to current street regulations as determined by subdivision code. Some condominium streets in the City meet a minimum requirement, while others do not. The financial burden on the City would require assessment of retroactive taxes or risk severe depletion of reserves that have taken years to build. The Finance Committee will review Crestview Hills' strategic plan and update policies and forecasts as necessary.

Crestview Hills Public Works committee and the Mayor have also been working with the Kentucky Department of Transportation, various State Officials, and the City Engineer 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 will, it is believed, ease congestion and move traffic more effectively through this corridor. Monies dedicated to this were awarded early in FY 08 but it is unclear at this time when the project will begin or its estimated length to completion although it will be undertaken through the Kentucky Transportation Cabinet.

Monies were also awarded from the Kentucky Transportation Cabinet through the Congestion Mitigation Air Quality program toward the end of FY 07 for a venture that will install a sidewalk from Dudley Road to the main entrance of the Crestview Hills Town Center. Like the Turkeyfoot Road expansion, it is unclear at this time when the project will begin or its estimated length to completion although it will be undertaken through the Kentucky Transportation Cabinet as well.

During FY09 and beyond, the City will continue focus on streets, sidewalks, catch basins, curbs, and gutters that are in need of maintenance or repair. The resurfacing of Summit Drive, including the addition of curbs, gutters, and catch basins, in the Old Crestview subdivision, occurred within the fiscal year. Other projects consisted of correcting drainage issues on Thomas More Parkway and Horsebranch Road, resurfacing Legends Way, Right Fork Road, and Violet Drive in addition to the extension and widening of Violet Drive.

Rebuilding of Thomas More Parkway was completed in fiscal year 08. Since Thomas More Parkway is the main link to the many businesses located in our Research Park and St. Elizabeth Hospital in Edgewood, it is imperative the road be repaired regularly. Minor crack sealing has been performed

over the last two summers. While this has taken place, the Parkway has worn in several areas due to the mediocre restoration in 1998 and increased construction, residential, and business traffic. Funding came from general revenues and was transferred into the Capital Projects fund.

Earlier in the report, the completion of the high-rise for Columbia Sussex and gradual staffing was addressed in mentioning of payroll tax collections. Another project, installation of streetlights on CentreView Blvd. from Rhine Valley Lane to the cul-de-sac, sprang from its completion. While there were two businesses at the intersection of Rhine Valley Lane and CentreView Blvd., the parking lot lights installed by the businesses warranted enough light; however, the road was dark beyond that.

Just down the hill, so to speak, from the Columbia Sussex building, three households have lived for a number of years with cistern water. During the severe drought of 2007, numerous times the residents were without water entirely. Discussions ensued regarding assistance with the installation of a water main. A water main was extended from Orphanage Road to the houses on Right Fork Road. The City of Crestview Hills contributed two-thirds of the funding with the residents agreeing to be assessed in FY 10, 11, and 12 in equal installments.

After the broadening of Crestview Hills Mall Road in FY 07, to provide a dedicated left turn lane, a straight-through or left turn middle lane, and a dedicated right turn lane onto Turkeyfoot Road, an additional traffic signal was installed to accommodate and coordinate the lanes in FY 08.

Although unbudgeted in FY 09, beautification of the City has been a priority for several years. Crestview Hills has planted numerous trees throughout and has been landscaping high-profile right of ways with a variety of perennial flowers, ornamental grasses, and decorative bushes in pre-determined spots. This project will continue until City Council, residents, and the business communities are pleased with the overall look of areas which the City maintains. The Public Works department and an outside contractor preserve what has already taken root and restore any vegetation as necessary. It is expected that trees and project vegetations will experience natural demise and will require alternates. The Kentucky Transportation Cabinet actually owns the medians on which the plantings have been done and has the right to evacuate them at any time.

Research has begun on a uniform signage plan that would warrant budget consideration over a three to five year span. The posts are ornate, although aesthetically attractive.

Therefore, in keeping with the historical trend of the City and providing that funding is available, if essential, through projected revenues, or actual cash-on-hand, Crestview Hills financially proposes to:

- ❖ Annually review streets, sidewalks, catch basins, curbs, gutters, signs, and traffic signals to visually establish condition, determine maintenance, repair, resurfacing, or no action on each, prioritize importance, and refer for budget consideration, except in cases of emergency.
- ❖ Submit aforementioned to the Finance Committee and administrative management for analysis and consideration in the overall annual and future projected budgets.
- ❖ Evaluate national, regional, and local financial conditions of our domiciled businesses on a regular basis and relate to the annual and future projected budgets of the City.
- ❖ Maintain reserves for capital outlay, except in a major economic crisis, so that the City will have anticipated general obligation bond interest cost of zero.

- ❖ Keep tax rates as low as economically possible, while maintaining or improving services.

Other information

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's annual audit for the fiscal year ended June 30, 2008 provided instances of material weaknesses in the internal control structure and significant violations of applicable laws and regulations. Refer to the schedule of findings on page 41.

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 2007 - 2008 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 financial management but must overhaul policies and procedures with respect to bidding projects, authoritative initiation rights on projects, and the avoidance of budget overspending

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

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

The City joined the Kentucky League of Cities Municipal Risk Management Association in November 1997 to provide for the transfer of risk for general liability. The limit of insurance provided on June 30, 2007 was \$4 million, combined single limit occurrence. The KLC Municipal Risk

Management Association is a pool of cities that have formed an insurance group. Each member city pays into the pool annual deposits. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize loss. Additionally, the City has all risk property insurance as indicated on a list of scheduled property and carries environmental liability insurance.

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crestview Hills for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the seventh consecutive year that the government has received this prestigious award. To qualify for a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, pronouncements of the Governmental Accounting Standards Board, and applicable legal requirements.

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

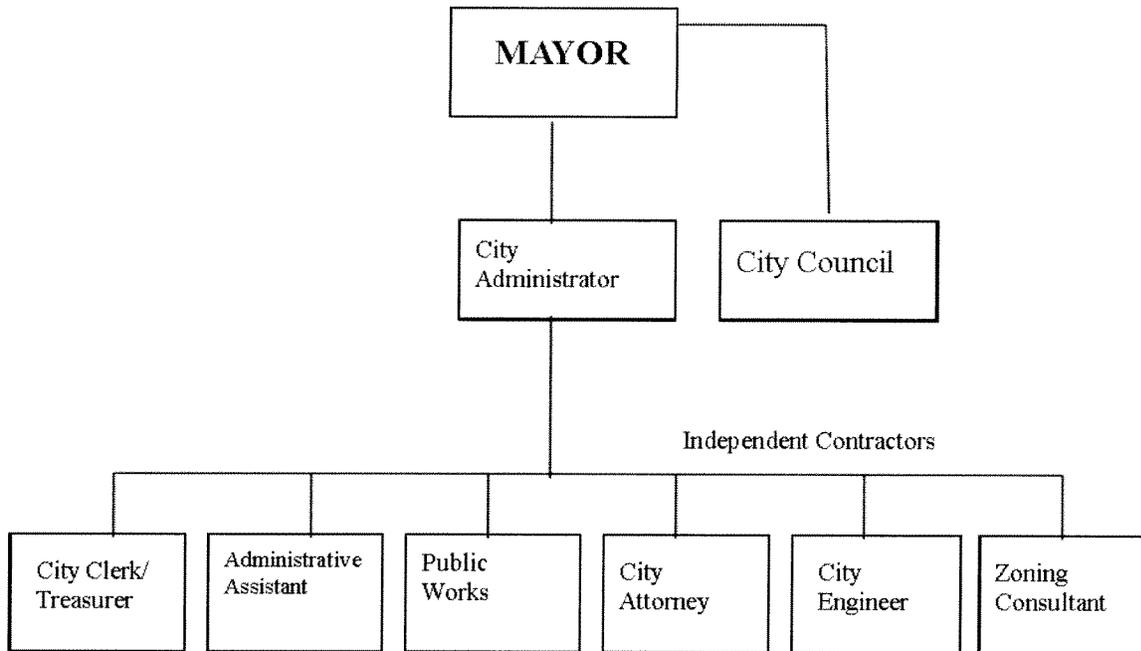
The preparation of this report would not have been possible without the efficient and dedicated service of the finance staff and appreciation is expressed to those who assisted and contributed in its completion. Credit also must be given to the Mayor, City Administrator, and governing council for their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

Respectfully submitted,



C.R. Wirthlin,
City Clerk/Treasurer

City of Crestview Hills Organizational Chart - FY08



City of CRESTVIEW HILLS

LIST OF PRINCIPAL OFFICIALS

Mayor - Council Form of Government

CITY COUNCIL

PAUL W. MEIER
Mayor

FRANK B. SOMMERKAMP, Jr.
Mayor Pro Temp

DAVID KRAMER
Council Member

DAVID THIEL
Council Member

RALPH LAIRD
Council Member

THOMAS MOSER
Council Member

COLLEEN COLLINS-BRIGHT
Council Member

CITY ADMINISTRATION

DAN GROTH
City Administrator

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Crestview Hills
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF CRESTVIEW HILLS
Comprehensive Annual Financial Report
June 30, 2008



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, 2008, which collectively comprise the City of Crestview Hills' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Crestview Hills, Kentucky's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008 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.

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

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

RANKIN, RANKIN, & COMPANY

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

**Ft. Wright, Kentucky
December 9, 2008**

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, 2008. 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 increased \$175,762 over the prior year due to increased tax and license collections.
- The total cost of all City expenditures decreased \$378,005 from the prior year. The decrease can be attributed to the finalization of payments for the construction of the City Building. While the move-in date was July 26, 2006, final payment was not made until January, 2007, therefore temporarily inflating overall expenditures.
- Street project spending increased \$386,490 as Thomas More Parkway was resurfaced, accounting for the majority of the increase.
- The General Fund reported excess revenues over expenditures of \$26,759 and the over all fund balance was increased by the same amount.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases and decreases in net assets are one indicator of whether the City's financial position is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental

activities from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration.

The government-wide financial statements can be found on pages 22 and 23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council can establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City of Crestview Hills uses only governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 budgetary comparison schedules can be found on pages 36-37 of this 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 \$5,385,888 at the close of the 2008 fiscal year. By far the largest portion of the net assets reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending. Although the City of Crestview Hills' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide financial statements can be found on pages 22 and 23 of this report.

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

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

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

Governmental Activities. Governmental activities decreased the City's net assets by \$508,207 accounting for 100 percent of the total decrease. Key elements of the decrease are as follows:

City of Crestview Hills Changes in Net Assets

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

Governmental Activities: Revenues

Property tax rates did not increase during FY 08. The Town Center, a medical specialty facility and a strip-mall style office facility on CentreView Blvd were fully assessed as of January 1, 2008, and another small medical building on Chancellor Drive was partially assessed. This accounts for the modest increase in property tax revenue.

Other taxes include payroll tax whose main source of increase is from the construction of new eight story headquarters building for Columbia Sussex. The building was completed in October, 2007, at which time the building was slowly staffed with various professional occupations that may be similar in pay structure to that accumulated through the construction process. A mild increase can be attributed to the additional jobs created at the Crestview Hills Town Center through shops that were still in the opening stages, although the majority of jobs are part-time, with earnings just above minimum wage. The payroll tax is expected to rise ever so slightly in FY 09 due to the aforementioned professional and medical offices that will be submitting withholdings for the first time. It is uncertain at this time the impact the national economic recession will have on our service providers based in the Research Park and how it will affect the payroll tax collections.

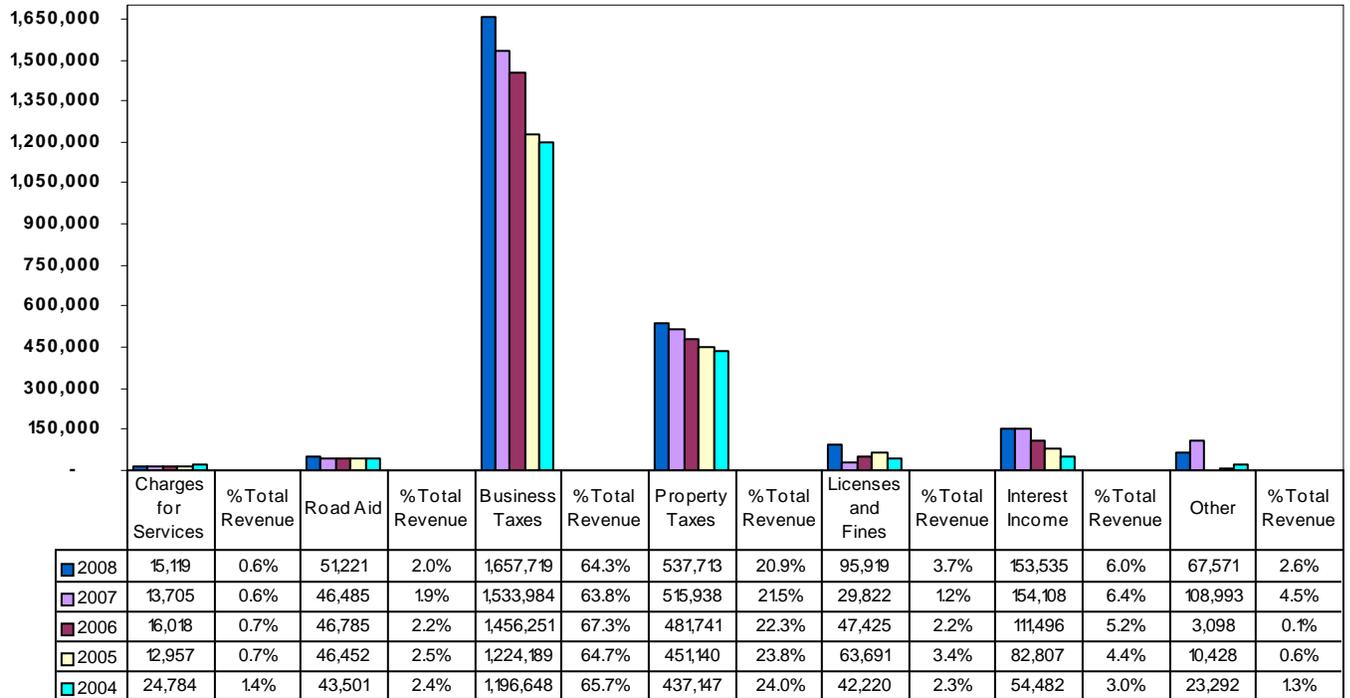
Governmental Activities: Expenditures

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.

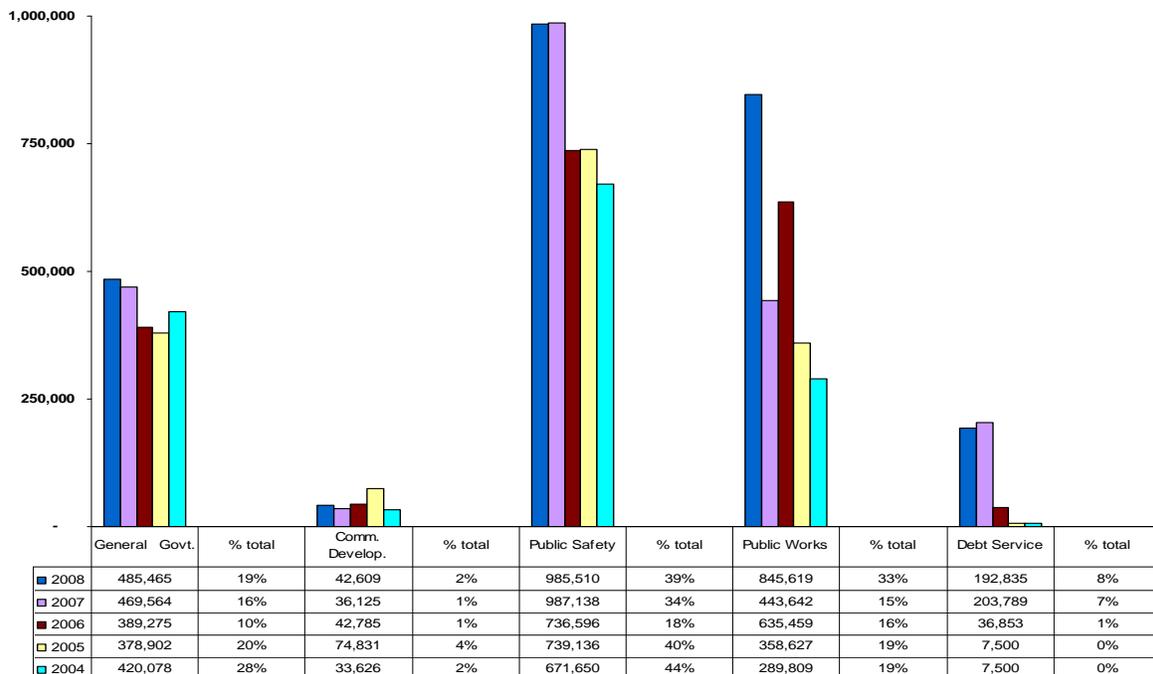
The size of The City of Crestview Hills generally prohibits a one to one relationship between departmental expenditures and revenues. Most revenue received comes from business taxes, licenses, and general property taxes and is used to fund the expenses of general government (those expenses related to administrative staffing, public distribution of information, compliance with state and federal regulations public relations, and elected officials), public safety (police, fire, animal control, and emergency medical), streets or public works (staffing, City Building maintenance and repair, street

maintenance and repair, equipment, snow removal, engineering fees, public utilities, and building supplies), capital projects (performed on infrastructure or the City Building that extends the useful life thereof, and is generally depreciable in nature), and debt service (principal and interest on the general obligation revenue bonds issued for the construction of the City Building in October, 2005). The following charts best illustrate the trends in income and expenditures over a period of five years.

Sources of Revenue by Dollar Amount and Percentage of Total Revenue



Total Expenditures by Dollar Amount and Percentage of Total Expenditures

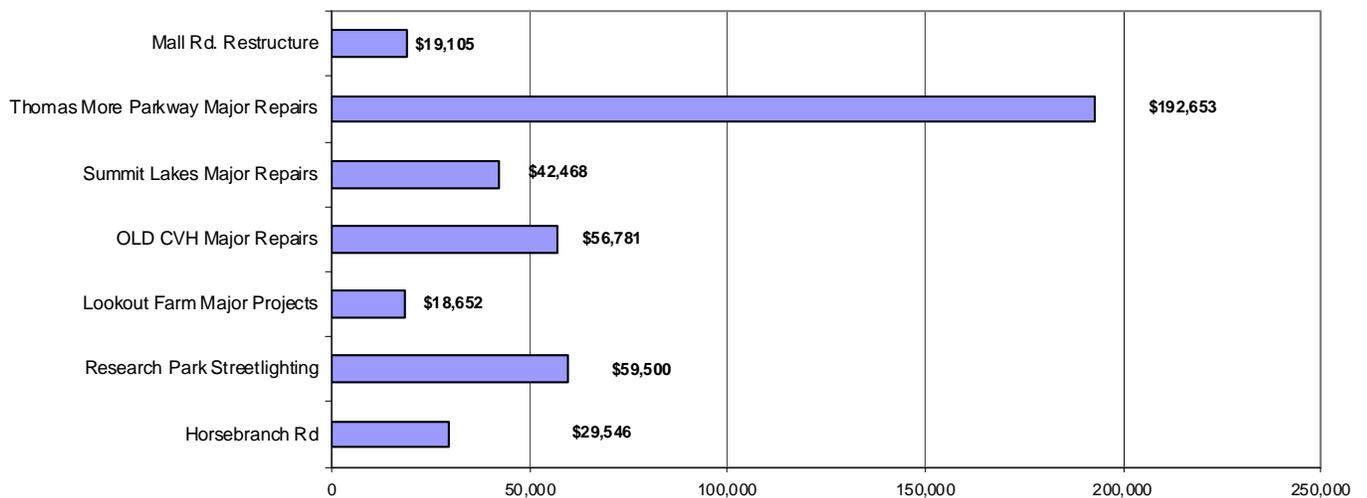


FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$3.66 million, which is an increase of \$26,759 from last year. During the year, a net \$418,827 was transferred from the general fund to the capital projects fund. It is anticipated that streets outflows will begin to decrease as many resurfacing projects have been completed, except those in which intergovernmental cooperation is necessary.

General Fund Transfers Out:

- \$418,827 to the Capital Projects.



- The General Fund had an end of year unreserved balance of \$803,823, compared to \$861,375 at prior year's end.
- The Reserved for Capital Outlay Investment was increased by the amount of interest earned \$76,630. This fund was created as a reserve for future projects, so property or business tax rates would not have to be increased to create funding. However, a decision was made in July, 2005 to hold this money in reserve and finance the City Building project with general obligation bonds. If this reserve remains intact for the entire twenty year bond issuance, the anticipated amount of interest earned on this reserve would pay for interest paid on the bond issuance.
- The Reserved for Emergencies Investment remains untouched. This fund was created as a cash flow reserve in the event of a major natural disaster or severe economic downturn. It is recommended that every city have a reserve on hand that would allow for a minimum of three months expenditures. Currently the City of Crestview Hills is maintaining at least a six-month reserve.

- City infrastructure has worn to life expectancy or curbs and gutters have broken apart in several places and work will need to be done on these to maintain them at an 80% level. In FY 09, the old Crestview subdivision will see work done on several streets, patching performed on Rose Terrace, while East College Park Drive, and sections of Lookout Farm Drive will be resurfaced. There is also installation of another traffic signal at the intersection of Thomas More Parkway and Legends Way scheduled for spring. This will reduce the reserves for public works projects to complete all aforementioned projects. In the future, public works projects should not exceed

CAPTIAL ASSET AND DEBT ADMINISTRATION

The five-year Capital Improvement Plan includes spending approximated 1 million through FY10 by working with the Kentucky Transportation Cabinet in the widening of Turkeyfoot Road and the addition of a sidewalk on the eastern side of Dixie Highway from Dudley Road to, at minimum, the main entrance to the Crestview Hills Town Center.

At June 30, 2008, the City had \$4.1 million invested in net capital assets.

Debt

At June 30, 2008, the City had \$2,370,000 in outstanding bonds compared to \$2,470,000 in the prior year, a decrease of \$100,000. The average annual debt service is an estimated \$193,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy of the City is related to the service industry and construction. The City's activities are primarily funded through business taxes collected from physicians, attorneys, country clubs, investment facilities, other service providers, retail and restaurants, construction and development companies. The largest source of revenue by far is the payroll tax of 1% on all wages up to \$ 102,000 (for 2008) earned within City limits. This is not expected to change in the future, which is why Crestview Hills works very closely with the business community to assure harmonious relations between commercial and residential developments, often making unique concessions and adjustments, some of which are financial. The City's annual budget takes into account the historical trends of the overall economy as it affects the service, medical, and construction industries.

REQUESTS FOR INFORMATION

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

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

June 30, 2008

	<u>Primary Governmental Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,213,054
Receivables	
Taxes	18,892
Accounts	381,330
Accrued interest	6,224
Other governments	11,748
Prepays	33,288
Deferred charges	57,899
Capital assets not being depreciated	260,000
Capital assets, net of accumulated depreciation	<u>3,853,862</u>
Total assets	<u>7,836,297</u>
LIABILITIES	
Accrued liabilities	30,162
Accrued interest payable	37,265
Noncurrent liabilities:	
Due within one year	105,000
Due in more than one year	<u>2,277,982</u>
Total liabilities	<u>2,450,409</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,743,862
Unrestricted	<u>3,642,026</u>
Total net assets	<u>\$ 5,385,888</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (expenses)
	Expenses	Charges for Services	Capital Grants and Contributions	Revenues and Changes in Net Assets
Primary government:				
Governmental activities:				
General government	\$ 611,723	\$ 3,109	\$ -	\$ (608,614)
Public safety	985,510	2,200	-	(983,310)
Public works	1,242,877	-	92,741	(1,150,136)
Community development	42,609	12,885	-	(29,724)
Interest on long-term debt	130,100	-	-	(130,100)
Total governmental activities	<u>3,012,819</u>	<u>18,194</u>	<u>92,741</u>	<u>(2,901,884)</u>
Total primary government	<u>\$ 3,012,819</u>	<u>\$ 18,194</u>	<u>\$ 92,741</u>	<u>\$ (2,901,884)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 527,141
Taxes levied for bank deposits				24,998
Public service taxes				1,678,335
Interest				153,535
Miscellaneous				9,668
Total general revenues				<u>2,393,677</u>
Change in net assets				(508,207)
Net assets-beginning				<u>5,894,095</u>
Net assets-ending				<u>\$ 5,385,888</u>

See accompanying notes to the basic financial statements.

CITY OF CRESTVIEW HILLS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,213,054	\$ -	\$ 3,213,054
Receivables			
Taxes	18,892	-	18,892
Accounts	381,330	-	381,330
Accrued interest	6,224	-	6,224
Other governments	11,748	-	11,748
Prepays	33,288	-	33,288
Total assets	<u>\$ 3,664,536</u>	<u>\$ -</u>	<u>\$ 3,664,536</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 30,162	\$ -	\$ 30,162
Deferred revenue	19,442	-	19,442
Total liabilities	<u>49,604</u>	<u>-</u>	<u>49,604</u>
Fund balances:			
Reserved for:			
Prepays	33,288	-	33,288
Emergencies	665,240	-	665,240
Public works projects	377,252	-	377,252
Police	183,939	-	183,939
Capital Outlay	1,551,390	-	1,551,390
Unreserved, reported in:			
General fund	803,823	-	803,823
Total fund balances	<u>3,614,932</u>	<u>-</u>	<u>3,614,932</u>
Total liabilities and fund balances	<u>\$ 3,664,536</u>	<u>\$ -</u>	<u>\$ 3,664,536</u>
Total governmental fund balance			\$ 3,614,932
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.			4,113,862
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			19,442
Costs of debt issuance and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.			57,899
Accrued interest on long-term debt.			(37,265)
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported in the funds.			(2,382,982)
Net assets of governmental activities			<u>\$ 5,385,888</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, 2008

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 575,720	\$ -	\$ 575,720
Licenses and permits	1,678,335	-	1,678,335
Intergovernmental	51,221	41,520	92,741
Charges for services	15,119	-	15,119
Fines and forfeitures	53,679	-	53,679
Interest	153,535	-	153,535
Miscellaneous	9,668	-	9,668
Total revenues	<u>2,537,277</u>	<u>41,520</u>	<u>2,578,797</u>
EXPENDITURES			
Current:			
General government	485,465	-	485,465
Public safety	985,510	-	985,510
Public works	385,272	460,347	845,619
Community development	42,609	-	42,609
Debt service:			
Principal	100,000	-	100,000
Interest	92,835	-	92,835
Total expenditures	<u>2,091,691</u>	<u>460,347</u>	<u>2,552,038</u>
Excess (deficiency) of revenues over expenditures	<u>445,586</u>	<u>(418,827)</u>	<u>26,759</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	418,827	418,827
Transfers out	<u>(418,827)</u>	<u>-</u>	<u>(418,827)</u>
Total other financing sources and uses	<u>(418,827)</u>	<u>418,827</u>	<u>-</u>
Net change in fund balances	26,759		26,759
Fund balances - beginning	<u>3,588,173</u>	<u>-</u>	<u>3,588,173</u>
Fund balances - ending	<u>\$ 3,614,932</u>	<u>\$ -</u>	<u>\$ 3,614,932</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, 2008

Net change in fund balances-total governmental funds	\$	26,759
<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		304,108
Depreciation expense		(811,425)
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.		(74,185)
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in governmental funds.		(37,265)
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.		(12,982)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		100,000
		<hr/>
Change in net assets of governmental activities.	\$	<u>(508,207)</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.

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 is 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 another 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.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

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

The government reports the following major governmental funds:

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

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

Assets, liabilities and net assets or equity

Cash and Cash Equivalents

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

The City is authorized by state statute to invest in:

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

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

Property Tax Receivable

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

Short-Term Interfund Receivables/Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

Capital Assets

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

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

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

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 is as follows:

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

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity

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

Interfund Transactions

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

Required Supplementary Information Budgetary Policies

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

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Use of Estimates

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

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE C-DEPOSITS

As of June 30, 2008, 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, 2008, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Retirements/ Deletions	Balance June 30, 2008
Governmental activities:				
Not being depreciated:				
Land	\$ 260,000	\$	\$ -	\$ 260,000
Construction in progress	58,538		(58,538)	-
Subtotal	<u>318,538</u>	<u>-</u>	<u>(58,538)</u>	<u>260,000</u>
Other capital assets:				
Buildings	2,571,815		-	2,571,815
Improvements/infrastructure	8,379,823	362,646	(180,138)	8,562,331
Equipment	177,693			177,693
Vehicles	36,001			36,001
Subtotal	<u>11,165,332</u>	<u>362,646</u>	<u>(180,138)</u>	<u>11,347,840</u>
Accumulated depreciation:				
Buildings	(85,715)	(89,065)	-	(174,780)
Improvements/infrastructure	(6,701,023)	(701,366)	180,138	(7,222,251)
Equipment	(46,982)	(17,749)	-	(64,731)
Vehicles	(28,971)	(3,245)	-	(32,216)
Subtotal	<u>(6,862,691)</u>	<u>(811,425)</u>	<u>180,138</u>	<u>(7,493,978)</u>
Net other assets	<u>4,302,641</u>	<u>(448,779)</u>	<u>-</u>	<u>3,853,862</u>
Net capital assets	<u>\$ 4,621,179</u>	<u>\$ (448,779)</u>	<u>\$ (58,538)</u>	<u>\$ 4,113,862</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 110,059
Highways and streets	701,366
Total governmental activities depreciation expense	<u>\$ 811,425</u>

NOTE E-LONG-TERM DEBT

Bonds Payable

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

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

The following is a schedule of future debt service requirements to maturity at June 30, 2008.

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Year Ended June 30,	Principal	Interest
2009	\$ 105,000	\$ 89,435
2010	110,000	85,865
2011	110,000	82,125
2012	115,000	78,385
2013	120,000	74,475
2014-2018	655,000	307,412
2019-2023	790,000	173,968
2024-2025	365,000	22,825
Total debt service payments	\$ <u>2,370,000</u>	\$ <u>914,490</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	June 30, 2007	Additions	Retirements	June 30, 2008	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ -	\$ 12,982	\$ -	\$ 12,982	\$ -
Bonds payable	\$ 2,470,000	\$ -	\$ (100,000)	\$ 2,370,000	\$ 105,000
Totals	\$ <u>2,470,000</u>	\$ <u>12,982</u>	\$ <u>(100,000)</u>	\$ <u>2,382,982</u>	\$ <u>105,000</u>

NOTE F-CLAIMS AND JUDGMENTS

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

NOTE G-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

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

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

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

CITY OF CRESTVIEW HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Non-hazardous Contributions - For the year ended June 30, 2008 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, 2008, participating employers contributed 16.17% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2008 was 16.17% 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:

<u>Year</u>		<u>Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$	32,421	100%
2007	\$	25,134	100%
2006	\$	19,502	100%

NOTE H-CONTINGENT LIABILITIES

The City is not currently a defendant in lawsuits.

NOTE I-RISK MANAGEMENT

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

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2008, 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 provides police protection services, created the Lakeside Park-Crestview Hills Police Authority. The Police Authority, a separate legal entity, provides police services to the two governmental entities. The Authority's board is comprised of three members from each entity. Except for the annual contribution, no participant has any obligation, entitlement or residual interest. The City's annual contribution for the year ended June 30, 2008 was \$ 821,712.

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2008

	Required Supplementary Information			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 2,894,940	\$ 2,894,940	\$ 3,588,173	\$ 693,233
Resources (inflows):				
Taxes	527,500	527,500	575,720	48,220
Licenses and permits	1,540,850	1,540,850	1,678,335	137,485
Intergovernmental	45,030	45,030	51,221	6,191
Charges for services	13,230	13,230	15,119	1,889
Fines and forfeitures	3,200	3,200	53,679	50,479
Interest	113,000	113,000	153,535	40,535
Miscellaneous	35,000	35,000	9,668	(25,332)
Amounts available for appropriation	<u>5,172,750</u>	<u>5,172,750</u>	<u>6,125,450</u>	<u>952,700</u>
Charges to appropriations (outflows)				
General government	692,077	692,077	485,465	206,612
Public safety	1,008,198	1,008,198	985,510	22,688
Public works	406,050	406,050	385,272	20,778
Community development	69,600	69,600	42,609	26,991
Debt Service				
Principal	-	-	100,000	(100,000)
Interest	-	-	92,835	(92,835)
Transfers out	<u>381,500</u>	<u>381,500</u>	<u>418,827</u>	<u>(37,327)</u>
Total charges to appropriations	<u>2,557,425</u>	<u>2,557,425</u>	<u>2,510,518</u>	<u>46,907</u>
Budgetary fund balance, June 30	\$ <u>2,615,325</u>	\$ <u>2,615,325</u>	\$ <u>3,614,932</u>	\$ <u>999,607</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	-	-	41,520	41,520
Transfers in	318,500	318,500	418,827	100,327
Amounts available for appropriation	<u>318,500</u>	<u>318,500</u>	<u>460,347</u>	<u>141,847</u>
Charges to appropriations (outflows):				
Public works	<u>318,500</u>	<u>318,500</u>	<u>460,347</u>	<u>(141,847)</u>
Total charges to appropriations	<u>318,500</u>	<u>318,500</u>	<u>460,347</u>	<u>(141,847)</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.

CITY OF CRESTVIEW HILLS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2008

Finding 1: Lack of Segregation of Duties

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

Recommendation: We recommend the City consider the following:

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

City's Response:

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

Finding 2: Bidding

The City needs to ensure compliance with Kentucky Revised Statutes, specifically KRS424.260, regarding bidding. The City Administration needs to supervise the process of advertisement for bids when required. The City should also seek legal opinion when bidding situations arise that are unclear or uncertain as to bidding. An example pertains to the reconstruction of a section of Violet Drive, whereby the City paid for the reconstruction of that city street under a contract for the City's work that also included an extension of the street by a developer. While the City's cost was under the bidding requirement, the total contract (City and Developer) exceeded the bid requirement. At a minimum, the City's contractual obligation should have been separated from the Developer's contract.

Recommendation: We recommend the City consider the following:

- (1) Have someone designated as responsible for overseeing all advertisements for bidding.

City's Response:

The City will provide the necessary oversight over bidding.



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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2008. 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 two instances of noncompliance that are required to be reported under Government Auditing Standards. The classification of certain expenditures exceeded the legally adopted budget of the Capital Projects Fund and General Fund and the CentreView street light installation project was not bid in accordance with KRS424.260, which requires advertised bids. Quotations were solicited from vendors, but advertisement of the bid request was not done.

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
December 9, 2008**

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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 Eight Fiscal Years

(accrual basis of accounting)

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

CITY OF CRESTVIEW HILLS, KENTUCKY

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

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

Data for years 1999 and 2000 is not available.

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

Fiscal Year	Property Tax	Public Service Tax	Bank Deposits Tax
2001	\$ 402,613	\$ 1,036,319	\$ 14,512
2002	\$ 416,802	\$ 1,047,784	\$ 15,209
2003	\$ 437,229	\$ 1,185,112	\$ 13,183
2004	\$ 431,147	\$ 1,181,279	\$ 15,369
2005	\$ 486,223	\$ 1,256,327	\$ 16,001
2006	\$ 501,212	\$ 1,481,646	\$ 18,873
2007	\$ 528,588	\$ 1,539,106	\$ 21,775
2008	\$ 527,141	\$ 1,678,335	\$ 24,998

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

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

Data for years 1999 and 2000 are not available.

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

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

(continued)

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

(continued)

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

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

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
1998	\$ 231,720,641	\$ -	\$ 23,952,341	\$ 207,768,300	0.1525
1999	243,817,241	-	27,213,074	216,604,167	0.1525
2000	290,332,442	-	58,883,942	231,448,500	0.1525
2001	307,958,543	-	48,661,343	259,297,200	0.1525
2002	322,281,943	-	49,583,543	272,698,400	0.1525
2003	331,597,443	-	50,049,943	281,547,500	0.1525
2004	333,129,343	-	50,788,343	282,341,000	0.1525
2005	350,658,793	-	53,480,343	297,178,450	0.1525
2006	370,017,043	-	53,949,143	316,067,900	0.1525
2007	392,589,331	-	54,007,943	338,581,388	0.1525
2008	400,259,531	-	55,055,943	345,203,588	0.1525

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	
1998	0.1525	0.1390	0.466	0.7575
1999	0.1525	0.1300	0.465	0.7465
2000	0.1525	0.1290	0.478	0.7585
2001	0.1525	0.1310	0.478	0.7615
2002	0.1525	0.1310	0.485	0.7685
2003	0.1525	0.1350	0.492	0.7795
2004	0.1525	0.1310	0.548	0.8315
2005	0.1525	0.1360	0.556	0.8445
2006	0.1525	0.1380	0.556	0.8465
2007	0.1525	0.1410	0.564	0.8575
2008	0.1525	0.1420	0.558	0.8525

(1) Per \$100 assessed valuation

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

CITY OF CRESTVIEW HILLS, KENTUCKY

Principal Property Taxpayers

June 30, 2008

Taxpayer	2000		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Valley View Ridge, LTD	\$ 14,935,000	1	5.00%
Crestview Hills Mall	12,062,000	2	4.00%
Atria Communities, Inc.	6,970,000	3	3.00%
N. Ky. Racquet Clubs, Inc.	5,234,000	4	2.00%
Summit Hills Country Club	4,076,600	5	1.00%
Crestview Hills Bank	3,930,000	6	1.00%
Thomas More/Hemmer II LTD	3,750,000	7	1.00%
Thomas More/Hemmer III LTD	3,516,500	8	1.00%
Square D Co.	2,960,100	9	1.00%
Thomas More/Hemmer I LTD	2,520,500	10	1.00%
TOTAL	\$ 59,954,700		20.00%

Taxpayer	2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 30,760,900	1	8.92%
Higbee Company	11,555,000	2	3.35%
Grandview Summit Apartments	10,455,000	3	3.03%
N. Ky. Racquet Clubs, Inc.	5,234,000	4	1.52%
Atria Summit Hills LLC	5,000,000	5	1.45%
Chapel Place D	4,500,000	6	1.30%
Summit Hills Country Club	4,076,600	7	1.18%
Thomas More/Hemmer II LTD	4,035,000	8	1.17%
Crestview Hills Bank	3,930,000	9	1.14%
Thomas More/Hemmer IV LTD	3,750,000	10	1.09%
TOTAL	\$ 83,296,500		24.15%

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
1999	334,599	327,914	98%	6,296	334,210	100%
2000	363,182	355,647	97%	1,728	357,375	98%
2001	395,428	392,787	99%	4,856	397,643	101%
2002	415,285	383,908	92%	(2,923)	380,984	92%
2003	430,405	431,555	100%	1,107	432,662	100%
2004	433,138	430,604	99%	6,850	437,454	100%
2005	453,197	451,307	99%	(167)	451,140	100%
2006	482,004	476,663	99%	2,892	479,555	99%
2007	516,249	512,251	99%	3,731	515,982	100%
2008	526,580	520,656	99%	76,107	596,763	115%

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)
	General Obligations			
	Bonds	Notes		
1999	\$ -	\$ 65,224	\$ 65,224	\$ 26
2000	-	57,724	57,724	20
2001	-	50,224	50,224	17
2002	-	42,724	42,724	15
2003	-	35,224	35,224	12
2004	-	27,724	27,724	9
2005	-	20,224	20,224	6
2006	2,565,000	12,724	2,577,724	798
2007	2,470,000	-	2,470,000	734
2008	2,370,000	-	2,370,000	658

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

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

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

<u>Fiscal Year</u>	<u>General Obligations Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value(1) of Property</u>	<u>Per Capita(2)</u>
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	2,565,000	-	2,565,000	0.88%	762
2007	2,470,000	-	2,470,000	0.63%	734
2008	2,370,000	-	2,370,000	0.59%	658

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, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Kenton County	\$ 50,149,000	2.00%	\$ 1,002,980
Kenton County School District	150,000,000	2.00%	3,000,000
City of Crestview Hills direct debt	<u>2,370,000</u>	100%	<u>2,370,000</u>
Total direct and overlapping	<u>\$ 202,519,000</u>		<u>\$ 6,372,980</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.

CITY OF CRESTVIEW HILLS, KENTUCKY

Legal Debt Margin Information

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 21,660,417	\$ 23,144,850	\$ 25,929,720	\$ 27,209,840	\$ 28,154,750	\$ 28,234,100	\$ 29,717,845	\$ 31,606,790	\$ 39,258,933	\$ 2,025,953
Total net debt applicable to limit	-	-	-	-	-	-	-	2,565,000	2,470,000	2,370,000
Legal debt margin	21,660,417	23,144,850	25,929,720	27,269,840	28,154,750	28,234,100	29,717,845	29,041,790	36,788,933	37,655,953
Total net debt applicable to the limit as a percentage of debt limit								8.84%	6.29%	5.92%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 345,203,588
Add back: exempt real property	<u>55,055,943</u>
Total assessed value	400,259,531
Debt limit(10% of total assessed value)	40,025,953
Debt applicable to limit:	
General obligation bonds	2,370,000
Less: amount set aside for repayment general oblidation debt	0
Total net debt applicable to limit	<u>2,370,000</u>
Legal debt margin	\$ 37,655,953

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)	Median Age (2)	Unemployment Rate (2)
1998	2,546	\$42,488	43.3	3.6%
1999	2,546	\$43,877	43.5	3.2%
2000	2,886	\$45,142	43.7	3.4%
2001	2,886	\$46,894	43.8	3.6%
2002	2,886	\$43,767	43.8	3.8%
2003	2,886	\$45,510	44.0	3.3%
2004	3,232	\$46,430	44.0	3.7%
2005	3,232	\$57,473	44.7	4.4%
2006	3,367	\$59,755	44.4	5.0%
2007	3,382	\$63,600	43.9	4.3%
2008	3,604	\$57,473	43.6	5.5%

(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**

2008

<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Thomas More College	1	6.0%
Fischer Management	2	4.9%
The Kroger Company	3	3.9%
Dillard's	4	3.3%
Bank of Kentucky	5	3.1%
Cincinnati Healthcare Group PSC	6	2.6%
Dressman, Benzinger, & Lavelle PSC	7	2.8%
Patient First Physicians Group	8	2.5%
Commonwealth Orthopaedic	9	2.4%
Pediatric Associates	10	<u>2.1%</u>
TOTAL		<u><u>33.6%</u></u>

1999

<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Payroll Taxes</u>
Dillard's	1	9.8%
Thomas More college	2	9.5%
Fischer Management	3	7.5%
Square D	4	7.3%
Huntington National Bank	5	4.1%
Alliance Research Inc	6	3.7%
Deters Benzinger & Lavelle PSC	7	3.2%
Five Seasons Sports CC	8	2.5%
Summit Hills Country Club	9	2.0%
TGI Fridays	10	<u>1.9%</u>
		<u><u>51.5%</u></u>

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

Function	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	None	None	None	None	None	None	None	None	None	None
Fire:										
Fire stations	None	None	None	None	None	None	None	None	None	None
Highways and streets:										
Streets(miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	56	56	56	56	56	56	66	66	66	73

Source: Various city departments

Police function is contracted with the Lakeside Park/Crestview Hills Police Authority.
 Fire function is contracted with the cities of Ft. Mitchell and Edgewood, Kentucky.
 Emergency Medical Service is contracted with Transcare of Northern Kentucky.
 Sanitation lines are owned and maintained by the Sanitation District No. 1.