

CITY OF CRESTVIEW HILLS, KENTUCKY

*Comprehensive Annual Financial Report
Year Ending June 30, 2015*



Crestview Hills City Building

**CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2015

Prepared by:

**Finance Department
City of Crestview Hills**

CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal.....	1-6
Organizational Chart.....	7
List of Principal Officials.....	8
Certificate of Achievement for Excellence in Financial Reporting.....	9
Financial Section	
Independent Auditor's Report.....	11-14
Management's Discussion and Analysis.....	15-22
Basic Financial Statements	
Government Wide Statements	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	26
Reconciliation of the Statement Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Notes to Financial Statements.....	28-40
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	41
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure.....	42
Supplementary Information	
Budgetary Comparison Schedule - Capital Projects Fund.....	43

Statistical Section

Statistical Section Narrative.....	45
Net Position by Component.....	46
Changes in Net Position.....	47
Governmental Activities - Tax Revenue by Source (Accrual Basis).....	48
Fund Balances - Governmental Funds.....	49
Changes in Fund Balances - Governmental Funds.....	50
Governmental Activities - Tax Revenue by Source (Modified Accrual Basis).....	51
Assessed Value of Taxable Property.....	52
Property Tax Rates - Direct and Overlapping Governments.....	53
Principal Property Taxpayers.....	54
Property Tax Levies and Collections.....	55
Ratios of Outstanding Debt by Type.....	56
Ratios of General Bonded Debt Outstanding.....	57
Direct and Overlapping Governmental Activities Debt.....	58
Legal Debt Margin Information.....	59
Demographic and Economic Statistics.....	60
Principal Employers.....	61
Full-Time Equivalent City Government Employees by Function/Program.....	62
Capital Asset Statistics by Function/Program.....	63
Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-68

INTRODUCTORY SECTION



September 23, 2015

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with implementation of Government Standards Board (GASB) Statement 34, and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Crestview Hills for the fiscal year ended June 30, 2015.

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.

Van Gorder, Walker & Co., Inc., Certified Public Accountants, have issued an unqualified (clean) opinion on the City of Crestview Hills financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

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

The majority of City activities are accounted for through the General Fund. The City does have a separate Capital Projects Fund maintained mostly for grant and large infrastructure projects and Special Revenue Fund for the Wayfinding Signage project, which is to help visitors, and patients better locate the businesses in the Thomas More Office Park. Financial statements of governmental organizations differ somewhat from the statements prepared for profit-oriented organizations in that governmental organizations prepare statements on a fund basis. In governmental accounting, the term "fund" is used to identify a separate accounting entity with its own assets, liabilities, revenues, or expenses, as appropriate.

Profile of the Government

The City of Crestview Hills, incorporated in 1951, is located in the Northern Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,148 (2012 U.S. Census) with a much larger daytime population. The City levies a property tax on real property and levies an occupational fee on employees and businesses.

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

The annual budget serves as the foundation for the City of Crestview Hills financial planning and control. The Mayor is responsible for presentation of the annual budget to the City Council for approval. The City Administrator and Treasurer work closely with the Mayor and Council Committees to assess budgetary needs for the coming year. This information, along with known changes in funding formulas and contracts is programmed into the budget document. The final budget proposal is submitted to the Finance Committee for review before going to City Council for first reading in May. Council is required by state statutes to hold public hearings on the proposed budget and adopt a final budget by no later than June 30, the close of Crestview Hills fiscal year. Fund, function (i.e. Public Safety or General Government), and department (i.e. Police, Fire) determine the order of the appropriated budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

Local Economy

Crestview Hills is located eight miles southwest of downtown Cincinnati. The City is known for its diversity including single family residential and condominiums, an active retail center, a large business and office park, a four year liberal arts college (Thomas More College) and two country clubs. The key economic areas vital to the City's tax base are: the medical sector, professional offices, retail, and residential. Each contributes to the broad based revenue that operates the City.

The development of the Research Park area along Thomas More Parkway during the last two decades has been a boon to the City's economy. The Research Park is within seven miles of the Greater Cincinnati/Northern Kentucky International Airport with easy access to I-75, I-71, and I-275. While downtown Cincinnati is only a few minutes away, this location is suburban and residential in nature. The Research Park houses professional offices, specialty physicians, attorneys, banks, country clubs, a four-year college, a gymnastics training facility, children's care facilities, and corporate offices in an suburban environment with the lowest overall tax rates in the area. The proximity of the St. Elizabeth Hospital Healthcare system in the adjacent City of Edgewood has contributed to the large concentration of healthcare related offices in the City. The City is the home to St. Elizabeth Physicians, a multi-specialty physicians group employing 350 physicians and 1,500 total employees throughout Northern Kentucky. St. Elizabeth Physicians also maintains a large presence in the community, remaining the top payroll taxpayer during FY 2014-2015.

Like most of the national economy over the past year, Northern Kentucky has seen an uptick in overall business activity. The City's retail center is fully leased. The overall vacancy rate within the office park remains less than 10%, with much of that vacant space attributable to an office building vacated last year by a large employer. The City continues to explore additional office space on undeveloped lots, and anticipates vacancy rates will decline further over the next 18 months. Business tax revenue for the fiscal year 2014-2015 was flat.

Payroll taxes for FY 2014-2015 increased .9% from \$1,607,965 to \$1,622,419. The consolidation of the healthcare industry and the Affordable Care Act have been a major contributing factors in the City's flat payroll taxes. Because most of the land in Crestview Hills has been developed, it is unlikely the City will receive large year over year increases in business taxes in future years. Net Profits also decreased by 13.64% from \$285,561 to \$246,607. This revenue source tends to fluctuate from year to year.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts was slightly higher in FY 2015, with 451 accounts. For the latest fiscal year, the city registered over 1,800 non-domiciled businesses, everything from construction companies to home service businesses.

Residential real estate has started to pick up over the last year, mirroring the national economy. Within the last year there has been some strengthening in local real estate market with increasing prices on existing residential properties. Commercial real estate has been steady; however, it is anticipated that as the local job market continues to improve, commercial real estate will strengthen. The City is working closely with owners of vacant commercial properties to fill these spaces, and identify prospects for the few vacant commercial properties; GreenSky Credit is a new business that will be moving into the City the fall of 2015, bringing 200 new jobs into the City. The City is experiencing a very competitive environment for new and existing jobs.

Long-term financial planning

Unassigned fund balance in the general fund has exceeded policy guidelines set by Council by recommendation of the Finance Committee for budgetary and planning purposes (i.e., between 15 and 20 percent of total general fund revenues). With a number of infrastructure projects such as street reconstruction and storm water detention project, the City will remain diligent in identifying and ensuring adequate financial reserves to meet future needs. This is particularly true for future street maintenance activities, where the City has begun an annual street reconstruction program, focusing on the older residential areas. The City will also face steadily increasing costs for Public Safety and other employee expenses in coming years.

After extensive public input and research, the Crestview Hills City Council approved a tax offset for the cost of street maintenance performed by homeowner associations on private residential streets in 2010. This offset amounted to \$.025 per one hundred dollars of assessed valuation. The total cost to the City is \$23,208 out of a total annual property tax collection of \$632,932 for the 2015 tax year. The City Ordinance provides for a review of the offset at least every five years to ensure that it is consistent with HOA maintenance costs. The offset will be recalculated again for the 2016 tax year.

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

The City has been busy with numerous construction projects. The reconstruction of Campus Drive (North) in the College Park subdivision was recently completed. A ten-year plan of street reconstruction has been prepared with expenses ranging between \$200,000 and \$300,000 per year. The northern section of University Circle is currently undergoing reconstruction with a completion date for the beginning of November 2015.

The City recently received an \$800,000 grant through the Ohio/Kentucky/Indiana Regional Transportation Authority to widen Thomas More Parkway from Five Seasons past Center View Parkway intersection. The engineering for the additional in-bound lane from Renaissance Drive to past Centre View Boulevard has been completed and approved by KYTC. The goal is to complete the right of way acquisition this fall and place the project for bid in early 2016.

The City has several cost drivers for future budgets. Public Safety costs will continue to rise, and although the City contracts out those services, the underlying increases in personnel (pensions, health insurance, etc.) will continue to affect future City costs. In 2013, the Kentucky General Assembly adopted significant modifications to the pension system for future employees that will hopefully restrain future rate increases. The City anticipates general operational costs to also rise in the years ahead, as regulatory burdens have increased costs for utilities, materials and supplies, for ongoing City services. Finally, infrastructure (roads, curbs, sidewalks, bridges, etc.) repairs and replacements will remain a significant cost driver for the next ten to fifteen years as older facilities are addressed.

On the revenue side, while the City is blessed with a diverse and relatively stable tax base, there may be issues on the horizon that could impact future revenues. The two most notable are some declines in property values since the peak in 2007, and the affects of the ACA on the City's healthcare employment base. With the consolidation of physician groups, the City could potentially face loss of medical base jobs.

For the tax year 2015, the City Council, increased the property tax rate from .1600 to .1610. This tax rate would produce \$632,932 in property tax revenue. There were several changes in the tax roll, including of five additions. The City had one new property on Varsity Court, a rehab of a condo on Parrish Hill and a commercial property that increased in value this year as it is no longer vacant. Also, additions were built on properties located on Vernon Drive and Druid Lane. There were reductions in assessed value on 33 properties which resulted in \$3,247,400 in deletions. Homestead Exemptions also continue to increase, with a total of 424 properties (31% of total residential properties) now receiving the exemption in 2015. Another 9 properties receive the disability exemption. This has resulted in lower property tax assessments.

Other information

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

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

As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's annual audit for the fiscal year ended June 30, 2015 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General and Capital Projects Funds are included in the annual appropriated budget. The adopted budget for fiscal year 2014 - 2015 was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

The City's carrier, EMC Insurance, provides a full range of insured risks, including property and casualty, automobile, elected officials liability, and general liability insurance. The insurance limit of risk is 3 million with another 3 million umbrella, on a per occurrence basis. EMC provides a full range of risk management services, including loss control audits and safety training and accident prevention workshops.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crestview Hills for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the fourteenth consecutive year that the government has received this prestigious award. To qualify for a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, pronouncements of the Governmental Accounting Standards Board, and applicable legal requirements.

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

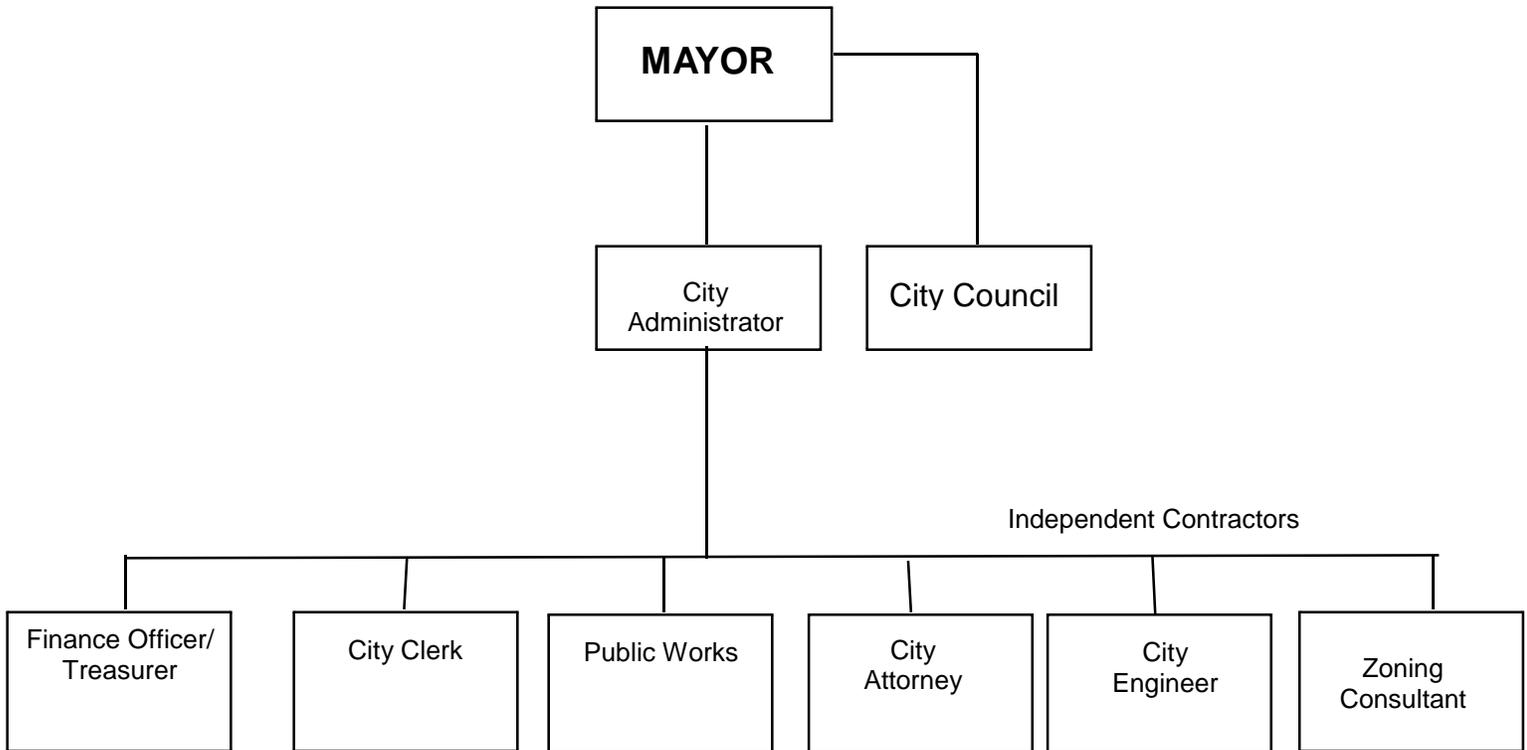
The preparation of this report would not have been possible without the efficient and dedicated service of the finance staff and appreciation is expressed to those who assisted and contributed in its completion. Credit also must be given to the Mayor and City Council for their support in maintaining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

Respectfully submitted,

Tim Williams
City Administrator

Kara Kramer
Finance Officer/Treasurer

City of Crestview Hills Organizational Chart



CITY OF CRESTVIEW HILLS, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2015

Mayor - Council Form of Government

City Council

Paul W. Meier
Mayor

Frank B. Sommerkamp, Jr.
Mayor Pro Tem

Tim Adair
Bill Dorsey

Colleen Collins-Bright
David Kramer

Joe Roesel

City Administration

Tim Williams
Kara Kramer
Ashley Reuss
Jeff Smith
Planning & Development
Services of Kenton County
Planning & Development
Services of Kenton County
Jim Berling
Mary Ann Stewart

City Administrator
Finance Officer/Treasurer
City Clerk
Public Works Specialist
Building Inspector
Zoning Consultant
City Engineer
City Attorney



Government Finance Officers Association

**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, 2014

Executive Director/CEO

This Page Intentionally Left Blank

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Crestview Hills, Kentucky (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

-Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Crestview Hills, Kentucky as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

This Page Intentionally Left Blank

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 15-22 and the budgetary comparison schedule and pension disclosure on pages 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, capital projects fund-budget to actual, and the statistical section are supplementary information, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Crestview Hills, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker, & Co., Inc.
Crestview Hills, Kentucky
September 21, 2015

This Page Intentionally Left Blank

**CITY OF CRESTVIEW HILLS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

As management of the City of Crestview Hills, Kentucky, we offer readers of the City's financial statements this narrative overview as an analysis of the financial activities of the City of Crestview Hills, Kentucky, for the year ended June 30, 2015. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-6 of this report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 24. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$6,010,058 (net position).
- The City's total net position increased \$276,169 this year. However, a prior period adjustment of (\$289,399) brought the total change in net position from last year to (\$13,230).
- In accordance with GASB Statement No. 68, in FY 2015 the City recognized \$289,995 in unfunded net pension liability on its statement of net position. To account for the beginning balance at July 1, 2014, the City has recognized a prior period adjustment of \$289,399, which is an estimate of the unfunded pension liability balance at July 1, 2014.
- As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$4,405,429, a decrease of (\$82,246) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,249,795 a decrease of (\$225,920) below fiscal year 2014.
- The City's total debt decreased by \$121,124 due to the payment of \$125,000 principal on outstanding debt and an increase of \$3,876 in compensated absences.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector

companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, all City financial activities are recorded as Governmental Activities

- Governmental activities: most of the City's basic services are reported here, including the general administration, public safety, public works, and community development. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 23 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes. All of the City's funds are governmental funds.

Governmental funds: The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

The City maintains three individual governmental funds – the General Fund and the Capital Projects Fund are major funds, while the Signage Fund is a minor fund. Information is presented separately in the Governmental Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balance for the 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 23 – 27 of this report.

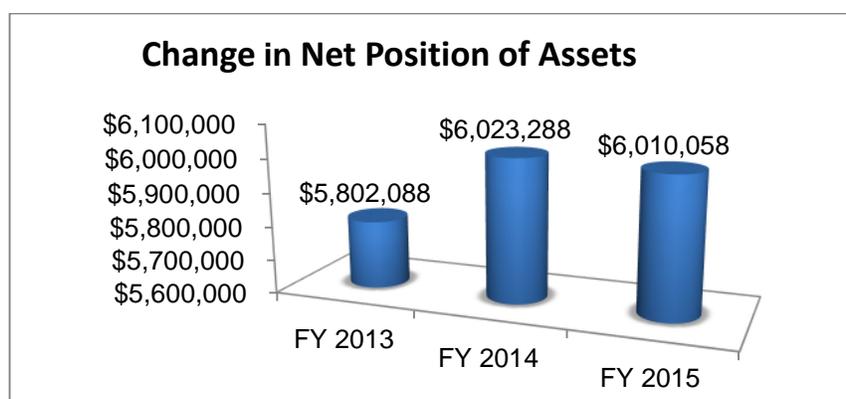
Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 – 40 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, general fund – budget to actual comparison and pension disclosures, on pages 41-42 and other supplementary information, capital project fund – budget to actual, on page 43.

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Crestview Hills's assets and liabilities, with the differences between the two reported as net position. For the years ended June 30, 2015 and 2014, net position was stated as follows:

	Governmental Activities	
	2015	2014
Current assets	\$ 4,412,846	\$ 4,573,997
Capital assets	3,453,526	3,221,410
Total assets	<u>7,866,372</u>	<u>7,795,407</u>
Deferred outflow of resources	74,968	38,597
Total assets and deferred outflows	<u>7,941,340</u>	<u>7,834,004</u>
Long-term liabilities	1,737,131	1,700,260
Other liabilities	161,781	110,456
Total liabilities	<u>1,898,912</u>	<u>1,810,716</u>
Deferred inflow of resources	32,370	-
Total liabilities and deferred inflows	<u>1,931,282</u>	<u>1,810,716</u>
Net investment in capital assets	1,893,526	1,563,410
Unrestricted	4,116,532	4,459,878
Total net assets	<u>\$ 6,010,058</u>	<u>\$ 6,023,288</u>



There was an increase of \$276,169, but the net effect of the prior period adjustment of (\$289,399) reduced the total change in net position from last year to (\$13,230) or 0.22% of net position for governmental activities. Cash decreased \$183,497 from 2014 while capital assets increased \$232,116. Current liabilities decreased by \$75,675 and long term liabilities increased \$163,871 due to the addition of the unfunded net pension liability.

Governmental Activities

Governmental activities decreased the net position of the City of Crestview Hills by (\$13,230) during FY2015 as summarized on the following chart:

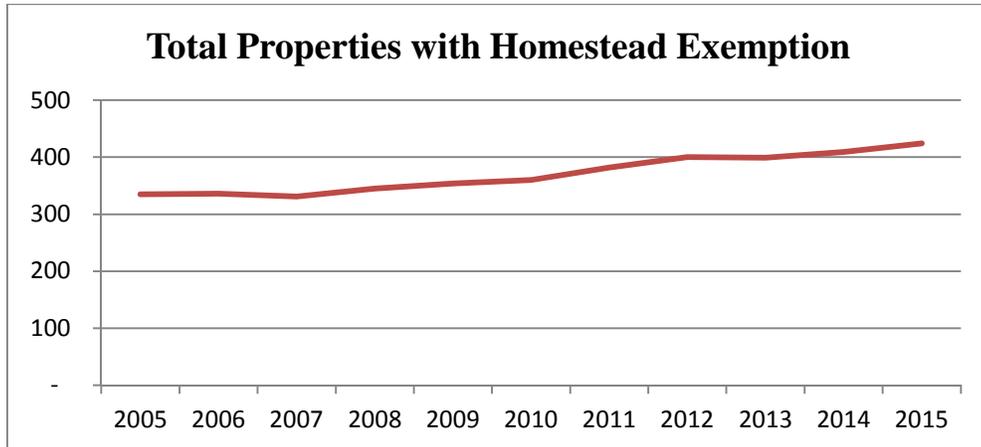
	Changes in Net Position	
	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 12,498	\$ 16,114
Capital grants and contributions	131,197	128,184
General revenues:		
Property taxes	623,891	603,408
Payroll license fees	1,622,419	1,607,965
Net profit license tax	246,607	285,561
Other taxes, licenses, fees	123,234	88,603
Interest	6,943	9,932
Other	21,877	4,840
Total revenues	<u>2,788,666</u>	<u>2,744,607</u>
Expenses:		
General government	585,436	596,030
Public safety	1,179,061	1,186,675
Public works	571,053	564,266
Community development	109,355	102,824
Interest on debt	67,592	73,612
Total expenses	<u>2,512,497</u>	<u>2,523,407</u>
Increase in net position	276,169	221,200
Net position-Beginning	6,023,288	5,802,088
Prior period adjustment	(289,399)	-
Net position-End of year	<u>\$ 6,010,058</u>	<u>\$ 6,023,288</u>

- Revenues for the City's governmental activities totaled \$2,788,666, compared to \$2,744,607 last year.
- Payroll license fees totaled \$1,622,419 or 58.2% of the total revenues. This was an increase of 0.9%% from last year. This increase was simply due to an improving economic climate coupled with several new businesses locating in the City.
- The second largest category of governmental revenues was property taxes, which accounted for \$623,891 or 22.4% of total revenues. This was an increase of 3.4% over last year.
- This year total expenses for the City's governmental activities were \$2,512,497 compared to \$2,523,407 last year. This was a decrease of 0.43% from last year.

Governmental Activities: Revenues

Property tax rates increased from .1600 in tax year 2014 to .1610 in tax year 2015. This is a .63% increase in the property tax rate. This is the third year in a row that total property tax value has decreased over the prior year. This has been due to lower property sales, downward reassessments of commercial and residential property and each year the number of residents filing for the Homestead Exemption increases. According to Kentucky's Constitution, property owners who are

65 or older are eligible to receive a homestead exemption. For tax year 2015 the homestead exemption is \$36,900. The amount of the exemption is subtracted from the assessed value of the property. Thus, although the recent 2% rate adjustments have been modest, rates have increased to make up for lower assessments. Fortunately, the City still maintains one of the lowest overall property tax rates, and the lowest overall tax burden of any City in Northern Kentucky.



Governmental Activities: Expenses

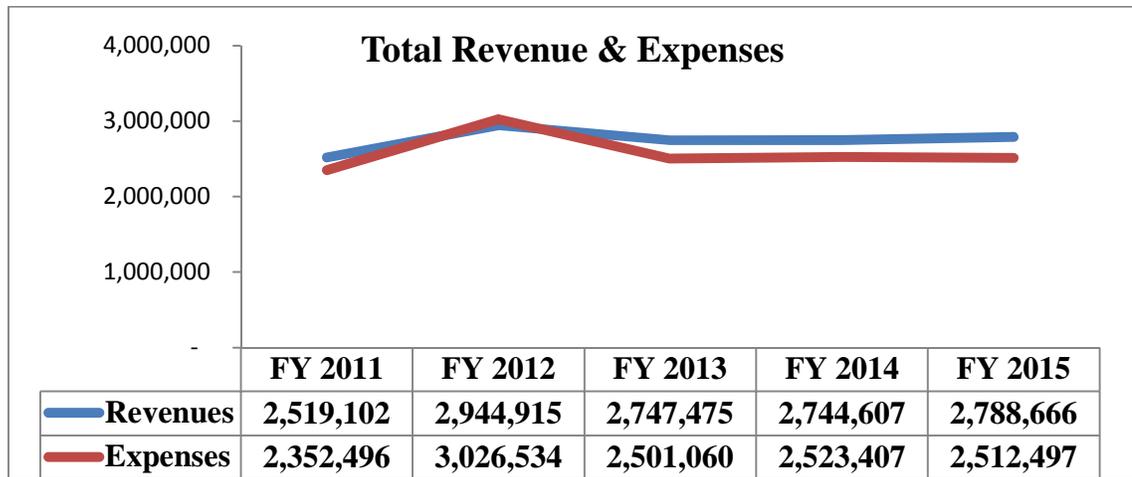
General Government expenses decreased in FY 2014-2015 by \$10,594. This decrease is due to the consultant costs for the City’s Wayfinding Signage project. The consultant costs have been moved from the General Fund to the Special Revenue Fund. The Wayfinding Signage project is to help visitors and patients better locate the businesses in the Thomas More Office Park. The Wayfinding Signage project is the new Special Revenue Fund that was set up this year and is no longer a line item in General Government. The partnership includes funding from both the City and the property owners through a special taxing district. The Crestview Hills City Council voted last year to adopt a special property tax assessment for the properties in the office park to defray a portion of the cost of the Wayfinding Signage System. The City invested \$100,000 into the signage cost and \$28,000 into the design consultant cost with the property owners assuming the remainder. Property owners will be assessed at a rate of \$.025 cents per one hundred dollars of assessed value with a maximum cap of \$800 each year. The City anticipates the sign costs will be paid off within nine or ten years depending on future assessments and any new development within the office park.

Total Community Development costs increased from \$102,824 to \$109,355. This is a result of the Community Events/Summer Concert Series the City has hosted. The City has concerts each summer during June, July and August. These events have been a great success and help market to others, outside of the City, that Crestview Hills is a wonderful community to live, work and play.

The City’s Public Works costs increased from \$564,266 to \$571,053. Public Works includes 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 increase of costs is a result of spending more money on capital projects this year compared to last year and also includes the transfer to the Wayfinding Special Revenue Fund.

Lastly, Public Safety has decreased by .64%. This decrease is due to the fire protection contract changes reduced costs. The City’s Safety Committee unanimously recommended to City Council to enter into an agreement with the City of Edgewood Fire Department for the eastern zone and City of Fort Mitchell Fire Department for the other two protection zones. While this arrangement will

save the community money over the next four years, the main reason cited was the closer proximity of the Edgewood station and facilities to this area. The City also has a contractual agreement with the Lakeside Park Crestview Hills Police Department. The City pays 70.6% of the \$1.4 million budget and Lakeside Park pays 29.4%.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

At year-end the City's governmental funds reported combined fund balances of \$4.40 million, which is a decrease of \$82,246 from last year. During the year, a total of \$357,211 was transferred from the general fund to the capital projects fund and a total of \$133,474 was transferred from the general fund to the special revenue fund. It is anticipated that the capital project expenditures will increase in the future, as the City replaces older streets and takes care of other aging infrastructure. The City has several projects planned for FY 2016 such as: the widening of Thomas More Parkway to Centre View Boulevard, the completion of Wayfinding Signage Project and street reconstruction. The engineering for the additional in-bound lane from Renaissance Drive past Centre View Blvd has been completed and approved by Kentucky Transportation Cabinet. The City Staff continues to work with property owners to come to a satisfactory agreement on purchasing the additional right of way necessary for the project. The City recently contracted with a second appraisal company to review the original valuation estimates. The goal is to complete the right of way acquisition this fall and place the project for bid in early 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Expenditures were less than budgeted amounts by \$282,278. The General Government budgeted expenditures were \$675,865 compared to the actual amount of \$667,648 including debt service. Public Safety budgeted expenditures were \$1,187,874 compared to the actual amount of \$1,184,116. Public Works budgeted expenditures were \$1,299,000 compared to the actual amount of \$1,051,319. Community Development budgeted expenditures were \$131,977 compared to the actual amount of \$109,355.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

The City's total long-term debt for governmental activities decreased by \$121,124 during the fiscal year. At year-end, the City had \$1,579,136 in total outstanding compensated absences and bonds compared to \$1,700,260 last year. That is a decrease of 7.1% as shown in the following table.

	Governmental Activities	
	2015	2014
Compensated absences PTO	\$ 19,136	\$ 15,260
GO Public Project Bonds - 2005	1,560,000	1,685,000
	<u>\$ 1,579,136</u>	<u>\$ 1,700,260</u>

Not included in the table above is the \$289,995 recognized as unfunded net pension liability under GASB 68 and recognized for the first time in FY 2015. For additional information concerning the City's debt please refer to Note E to the financial statements, as well as note G for information regarding the unfunded pension obligations.

Capital Assets

At June 30, 2015 the City had \$19,640,297 invested in governmental net capital assets including, buildings, roads and sidewalks. This represents a net increase of \$1,458,071.

	Governmental Activities	
	2015	2014
Land & construction in progress	\$ 393,475	\$ 358,345
Buildings	2,590,889	2,590,889
Improvements/infrastructure	10,180,327	9,724,172
Equipment	190,258	190,258
Vehicles	45,690	45,690
Subtotals	<u>13,400,639</u>	<u>12,909,354</u>
Accumulated depreciation	9,947,113	9,687,944
Net Assets	<u>\$ 3,453,526</u>	<u>\$ 3,221,410</u>

This year's major additions included:

Construction in progress, net of deletions	\$ 35,130
Infrastructure projects for streets	456,155
	<u>\$ 491,285</u>

For additional information concerning the City's capital assets please refer to Note D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the City relies to a great extent on professional office and retail. The City's activities are primarily funded through business taxes collected from medical offices, general office, retail and education. The largest source of revenue by far is the payroll tax of 1% on all wages up to \$ 118,500 (for 2015) earned within City limits. Nearly 80% of all City taxes are derived from the businesses and commercial sectors of the City.

The Affordable Care Act has increased the demand for health care services, along with uncertainty and cost pressures stemming from health care reform. Many of the larger health care providers are continually acquiring smaller players to achieve economies of scale and diversify their customer base and service offerings. These consolidations have also reduced back office employment of those medical practices in the City as those functions have been relocated to or in some cases consolidated. Further consolidation in the medical field and competition with other providers could impact the City's future employee base.

Like most of the national economy over the past year, Northern Kentucky has seen an uptick in job creation and overall business activity. The City's retail center is fully leased. The overall vacancy rate within the office park remains less than 5%, with much of the vacant space separated into small square foot spaces. The City continues to explore additional office space on undeveloped lots. Business tax revenue should increase slightly next year due to GreenSky Credit locating in the office park.

The City has begun an audit process of business tax returns to ensure proper compliance. The City also maintains an active business retention program to ensure our existing businesses can grow in the community. The long term financial prospects for the City are positive, but future Councils must ensure that resources are adequate to meet the growing cost of Public Safety and Infrastructure maintenance and that the City remains vigilante in competition with other communities for jobs and businesses.

The City is excited for a new development on the former Center Farm on Shinkle Road. This is the last undeveloped residential area in Crestview Hills. The City had worked diligently over the last several years to identify a builder that could bring the right type of development to the community at this location.

The builder will develop approximately 41 single-family homes with prices ranging from \$450,000 to over \$800,000. The homes will be primarily tailored to 'empty- nesters' that love the location, low taxes and convenience of Crestview Hills, but are wishing to downsize from larger single-family homes. The development will be built in three phases, with the first homes expected to go on the market in the spring of 2016.

The City is excited to see this property developed in such a way that it adds to the value of surrounding property owners and to the community's tax base. The new development will be called Crown Point.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office/Treasurer, Kara Kramer, at the City of Crestview Hills, 50 Town Center Boulevard, Crestview Hills, Kentucky, 41017.

CITY OF CRESTVIEW HILLS, KENTUCKY STATEMENT OF NET POSITION June 30, 2015
--

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,947,929
Receivables:	
Property taxes	3,426
Accounts	447,383
Prepaid items	14,108
Capital assets:	
Capital assets not being depreciated	393,475
Other capital assets, net	3,060,051
Total Assets	<u>7,866,372</u>
 Deferred Outflows of Resources	
Deferred charges on debt issuance	35,380
Pension contribution for fiscal year 2015	39,588
Total Deferred Outflows of Resources	<u>74,968</u>
 Total Assets and Deferred Outflows of Resources	<u>7,941,340</u>
 Liabilities	
Accounts payable	3,991
Accrued interest payable	25,790
Noncurrent liabilities:	
Due within one year	132,000
Due in more than one year	1,447,136
Net pension liability	289,995
Total Liabilities	<u>1,898,912</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	32,370
 Total Liabilities and Deferred Inflows of Resources	<u>1,931,282</u>
 Net Position	
Net Investment in Capital Assets	1,893,526
Unrestricted	4,116,532
Total Net Position	<u>\$ 6,010,058</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary government:					Governmental Activities
Governmental activities:					
General government	\$ 585,436	\$ 1,389	\$ -	\$ -	\$ (584,047)
Public Safety	1,179,061	3,420	-	-	(1,175,641)
Public works	571,053	-	-	131,197	(439,856)
Community Development	109,355	7,689	-	-	(101,666)
Interest on long-term debt and other bond costs	67,592	-	-	-	(67,592)
Total governmental activities	2,512,497	12,498	-	131,197	(2,368,802)
Total primary government	\$ 2,512,497	\$ 12,498	\$ -	\$ 131,197	\$ (2,368,802)
General revenues:					
Taxes:					
					623,891
					43,274
					1,622,419
					246,607
					72,210
					7,750
					6,943
					21,877
					2,644,971
					276,169
					6,023,288
					(289,399)
					\$ 6,010,058

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

CITY OF CRESTVIEW HILLS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Minor Fund Signage Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,806,403	\$ -	\$ 141,526	\$ 3,947,929
Receivables:				
Property Taxes	3,426			3,426
Accounts	436,411			436,411
Other governments	10,972			10,972
Prepays	14,108	-		14,108
Total Assets	<u>\$ 4,271,320</u>	<u>\$ -</u>	<u>\$ 141,526</u>	<u>\$ 4,412,846</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,991	\$ -	\$ -	\$ 3,991
Deferred revenue	3,426	-	-	3,426
Total Liabilities	<u>7,417</u>	<u>-</u>	<u>-</u>	<u>7,417</u>
Fund Balances:				
Nonspendable- prepaids	14,108	-	-	14,108
Assigned-capital projects	-	-	-	-
Assigned-wayfinding signage fund	-	-	141,526	141,526
Unassigned	4,249,795	-	-	4,249,795
Total Fund Balances	<u>4,263,903</u>	<u>-</u>	<u>141,526</u>	<u>4,405,429</u>
Total Liabilities and Fund Balances	<u>\$ 4,271,320</u>	<u>\$ -</u>	<u>\$ 141,526</u>	<u>\$ 4,412,846</u>
Total governmental fund balances				\$ 4,405,429
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds,				3,453,526
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds				3,426
Costs of issuance of debt, premiums and discounts expensed for governmental funds are carried as deferred charges in the statement of net position				35,380
Accrued interest payable on long-term debt				(25,790)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:				
Deferred outflow of resources				39,588
Deferred inflow of resources				(32,370)
Long-term liabilities, including bonds payable, capital leases and compensated absences, and net pension liability are not due and payable in current period and are not reported in the funds				(1,869,131)
Net position of governmental activities				<u>\$ 6,010,058</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Capital Projects Fund	Minor Fund Signage Fund	Total Governmental Funds
Revenues				
Taxes	\$ 623,891	\$ -	\$ -	\$ 623,891
Licenses and permits	1,992,260	-	-	1,992,260
Intergovernmental	131,197	-	-	131,197
Charges for services	9,989	-	-	9,989
Fines and forfeitures	2,509	-	-	2,509
Interest	6,943	-	-	6,943
Miscellaneous	21,877	-	-	21,877
Total Revenues	2,788,666	-	-	2,788,666
Expenditures				
Current:				
General government	476,503	-	-	476,503
Public safety	1,184,116	-	-	1,184,116
Public works	419,108	357,211	133,474	909,793
Community development	109,355	-	-	109,355
Debt service:				
Principal	125,000	-	-	125,000
Interest	66,145	-	-	66,145
Total Expenditures	2,380,227	357,211	133,474	2,870,912
Excess (deficiency) of revenues over (under) expenditures	408,439	(357,211)	(133,474)	(82,246)
Other Financing Sources (Uses)				
Transfers in	-	357,211	275,000	632,211
Transfers out	(632,211)	-	-	(632,211)
Total Other Financing Sources (Uses)	(632,211)	357,211	275,000	-
Net Change in Fund Balances	(223,772)	-	141,526	(82,246)
Fund Balances - Beginning	4,487,675	-	-	4,487,675
Fund Balances - Ending	\$ 4,263,903	\$ -	\$ 141,526	\$ 4,405,429

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

<p>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, 2015</p>

Net change in fund balances - total governmental funds \$ (82,246)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	491,285
Depreciation expense	(259,169)

Government funds report the effect of bond issuance costs and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (3,217)

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:

Pension contributions	39,588
Costs of benefits earned	(32,966)

Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in governmental funds. 1,770

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 government funds - compensated absences. (3,876)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 125,000

Change in net position of governmental activities \$ 276,169

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2015</p>
--

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.

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 (GAAP), these financial statements present the government.

Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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 when they are collectible within the

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

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 year. All other revenue items are considered recorded as revenue when funds have been received.

The government reports the following funds of the financial reporting entity.

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.

During 2015, the City Council approved the creation of a Wayfinding Signage Fund to account for financial resources to be used for the acquisition and installation of signage for the Thomas More Parkway area of the City.

Assets, liabilities and net position or equity

Cash and Cash Equivalents

Cash and cash equivalents including amounts in demand deposits as well as short-term investments (certificates of deposit) with an initial maturity date within one year 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;
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.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

10. Shares of mutual funds, each of which shall have the following characteristics:
- a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b. The management company of the investment company shall have been in operation for at least five (5) years; and
 - c. All of the securities in the mutual fund shall be eligible investments under this section

Property Taxes and Tax Calendar

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Property tax rates for the year ended June 30, 2015, were \$.1600 per \$100 valuation for real property. The assessed value of property on which the levy for 2014 was based was \$401,389,940.

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. At June 30, 2015, the City had no "interfund receivables/payables".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recognized 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. Improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

The range of lives used for depreciation purposes for each capital asset class are as follows:

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees with at least five years of continuous service with the City, who retire with CERS benefits, will be paid one-half of their accumulated sick leave upon termination of employment. 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 position. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of bonds.

Deferred Outflows/Inflows of Revenues

The City reports separate sections of deferred inflows and deferred outflows of resources. These separate financial statement elements represent an acquisition or consumption of net position that applies to future periods. The City's unavailable revenue is reported only in the governmental funds balance sheet, from one source – property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government has two items that are reported only in the government-wide statement of net position-deferred charges on debt issuance and the pension contribution for fiscal year 2015.

Fund Balance Policies

In the fund financial statements, government funds report components of fund balances for amounts that are nonspendable, assigned or unassigned. Nonspendable fund balances are resources that cannot be spent because of their form and because resources must be maintained intact. Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes. Unassigned fund balance is the residual classification for the general fund. The assigned amounts can only be used when expenditures for the amounts set aside for that specific purpose are incurred. The City currently has no assigned fund balances. To assign funds, the City Council would authorize the Mayor (chief executive officer) to assign fund balances through established procedures.

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

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 and the Wayfinding Signage Funds.

Required Supplementary Information Budgetary Policies

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

Restricted Revenues

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

Use of Estimates

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 15th, 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. Prior to June 30, 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 authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department 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 City Administrator, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2015

NOTE C – DEPOSITS AND INVESTMENTS

As of June 30, 2015, 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, 2015, the City’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’ behalf and the FDIC insurance.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2015</u>
Governmental activities:				
Assets not being depreciated				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Construction in progress	98,345	180,158	(145,028)	133,475
	<u>358,345</u>	<u>180,158</u>	<u>(145,028)</u>	<u>393,475</u>
Other capital assets				
Buildings	2,590,889	-	-	2,590,889
Improvements/infrastructure	9,724,172	456,155	-	10,180,327
Equipment	190,258	-	-	190,258
Vehicles	45,690	-	-	45,690
Subtotal	<u>12,551,009</u>	<u>456,155</u>	<u>-</u>	<u>13,007,164</u>
Accumulated depreciation				
Buildings	(704,317)	(88,425)	-	(792,742)
Improvements/infrastructure	(8,797,850)	(152,249)	-	(8,950,099)
Equipment	(155,124)	(15,989)	-	(171,113)
Vehicles	(30,653)	(2,506)	-	(33,159)
Subtotal	<u>(9,687,944)</u>	<u>(259,169)</u>	<u>-</u>	<u>(9,947,113)</u>
Other capital assets, less depreciation	<u>2,863,065</u>	<u>196,986</u>	<u>-</u>	<u>3,060,051</u>
Governmental activities capital assets, net	<u>\$ 3,221,410</u>	<u>\$ 377,144</u>	<u>\$ (145,028)</u>	<u>\$ 3,453,526</u>

Depreciation was charged to the following governmental activities:

General Government	\$ 106,920
Public Works	152,249
Total	<u>\$ 259,169</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2015</p>
--

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 as of June 30, 2015:

Year Ended June 30,	Principal	Interest	Total Debt Service
2016	\$ 130,000	\$ 61,895	\$ 191,895
2017	135,000	57,020	192,020
2018	140,000	51,958	191,958
2019	145,000	46,708	191,708
2020	150,000	41,053	191,053
2021-2025	860,000	109,033	969,033
Total	<u>\$ 1,560,000</u>	<u>\$ 367,667</u>	<u>\$ 1,927,667</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015	Current Portion
Governmental activities -					
Compenstated absences	\$ 15,260	\$ 3,876	\$ -	\$ 19,136	\$ 2,000
Bonds Payable	1,685,000	-	(125,000)	1,560,000	130,000
Total governmental activities	<u>\$ 1,700,260</u>	<u>\$ 3,876</u>	<u>\$ (125,000)</u>	<u>\$ 1,579,136</u>	<u>\$ 132,000</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 – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

The City participates in the County Employees’ Retirement System of Kentucky (“Plan”). The Plan is a cost-sharing, multi-employer public retirement plan created by and operating under Kentucky law. It is a defined benefit plan that covers substantially all regular employees of the City.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2015</p>
--

The Plan provides for retirement, disability and death benefits.

Participating non-hazardous employees contribute 5% (8% for hazardous duty employees) of their creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus 1% of un-funded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium.

Contributions

The City contributed 17.67% of the non-hazardous duty employee’s compensation during the fiscal year ended June 30, 2015.

The City of Crestview Hills’ made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2015 in the amount of \$39,588.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$289,995 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's employer allocation proportion was 0.008938% of the total CERS non-hazardous duty. For the year ended June 30, 2015, the City’s funds recognized pension expense of \$39,588. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on plan investments	-	32,370
Changes of assumptions	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	39,588	-
Total	<u>\$ 39,588</u>	<u>\$ 32,370</u>

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

The \$39,588 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Net Deferral</u>
2016	\$ 6,474
2017	6,474
2018	6,474
2019	6,474
2020	6,474
	<u>\$ 32,370</u>

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Hazardous & Non-Hazardous	
	Target Allocation	Long Term Expected Nominal Return
Domestic equity	30%	8.5%
International equity	22%	8.9%
Emerging market equity	5%	10.5%
Private equity	7%	11.3%
Real estate	5%	7.0%
Core US fixed income	10%	5.3%
HY US fixed income	5%	7.3%
Non US fixed income	5%	5.5%
Commodities	5%	7.8%
TIPS	5%	5.0%
Cash	1%	3.3%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 381,597
Current discount rate	7.75%	289,995
1% increase	8.75%	209,038

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE H – CONTINGENT LIABILITIES

The City is not currently a defendant in lawsuits.

NOTE I – RISK MANAGEMENT

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

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2015, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with one other local governmental entity that provided police protection services, created the Lakeside Park-Crestview Hills Police Authority. The Police Authority, a separate legal entity, provides police services to the two governmental entities. The Authority's board is comprised of five members. Except for the annual contribution, no participant has any obligation, entitlement or residual interest. The City's annual contribution for the year ending June 30, 2015 was \$976,509. The City has committed to extending the agreement for the year ended June 30, 2015. Either party may cancel its participation upon a ninety (90) written notice.

NOTE K – COMMITMENTS

On April 1, 2014, the City entered into two separate agreements with the City of Ft. Mitchell and the City of Edgewood for Ft. Mitchell and Edgewood to provide fire and basic life support services for certain geographic portions of Crestview Hills. The portion covered by Ft. Mitchell is approximately two thirds of the City. These agreements terminate on March 31, 2018. The current contract amount for fire and emergency services from Ft. Mitchell and Edgewood are \$128,000 and \$63,375, respectively.

Effective July 1, 2012, the City entered into a three year agreement with Best Way Disposal, Inc. for solid waste collection and recycling services. The contract is for \$120,156 for the first year with approximately a four percent increase in each of the additional years. The amount paid in FYE 6/30/15 was \$121,849.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 67 – *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25* – This statement is not currently applicable to the City of Crestview Hills.

Statement No. 68 – *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* – Requires the City to report their representative share of the unfunded pension liability of the Kentucky County Employee Retirement System (CERS) on the City's Statement of Net Position. This statement is effect for the fiscal period June 30, 2015. This statement adds a liability of \$289,995 as the City's share of the CERS unfunded liability to the City's Statement of Net Position.

Statement No. 69 – *Government Combinations and Disposals of Government Operations* – This statement is not currently applicable to the City of Crestview Hills.

Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement is not currently applicable to the City of Crestview Hills.

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 77 – *Tax Abatement Disclosures*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Statement No. 72 – *Fair Value Measurement and Application*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

NOTE N – PRIOR PERIOD ADJUSTMENTS

The City has recorded an adjustment to the Beginning Net Position of (\$289,399) at June 30, 2014. This adjustment accounts for the estimated net pension liability at June 30, 2014, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2015

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2015, which is the date the financial statements were available to be issued.

On July 14, 2015, a date subsequent to the report date, but before the date the financial statements were issued, the City exercised a call option on its 2005 General Obligation Bond, and paid the residual balance of \$1,560,000 in full.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 4,428,362	\$ (17,816)	\$ 4,410,546	\$ 4,487,675	\$ 77,129
Resources (inflows):					
Taxes	624,456	-	624,456	623,891	(565)
Licenses and permits:	2,045,611	-	2,045,611	1,992,260	(53,351)
Intergovernmental	237,550	-	237,550	131,197	(106,353)
Charges for services	15,225	-	15,225	9,989	(5,236)
Fines and forfeitures	4,000	-	4,000	2,509	(1,491)
Investment income	9,000	-	9,000	6,943	(2,057)
Miscellaneous	25,000	-	25,000	21,877	(3,123)
Amounts available for appropriation	7,389,204	(17,816)	7,371,388	7,276,341	(95,047)
Charges to appropriations (outflows):					
General government	753,587	(77,722)	675,865	667,648	8,217
Public safety	1,227,874	(40,000)	1,187,874	1,184,116	3,758
Public works	418,592	43,085	461,677	419,108	42,569
Community development	136,200	(4,223)	131,977	109,355	22,622
Transfers out	763,000	74,323	837,323	632,211	205,112
Total charges to appropriation	3,299,253	(4,537)	3,294,716	3,012,438	282,278
Budgetary fund balance, June 30	\$ 4,089,951	\$ (13,279)	\$ 4,076,672	\$ 4,263,903	\$ 187,231

CITY OF CRESTVIEW HILLS, KENTUCKY**Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
For the Year Ended June 30, 2015****Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Employees' Retirement Plan**

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Proportion of net pension liability	0.008938%									
Proportionate share of the net pension liability (asset)	\$ 289,995									
Covered employee payroll in year of measurement	236,586									
Share of the net pension liability (asset) as a percentage of its covered employee payroll	81.58%									
Plan fiduciary net position as a percentage of total pension liability	65.96%									

**Schedule of the City's Contributions
Municipal Employees' Retirement Plan**

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 39,588									
Actual contribution	39,588									
Contribution deficiency (excess)	-									
Covered employee payroll	236,586									
Contributions as a percentage of covered employee payroll	16.73%									

**Notes to Required Supplementary Information
for the Year Ended June 30, 2015
Changes of Assumptions**

The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization.

SUPPLEMENTARY INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - CAPITAL ASSETS FUND
For the Year Ended June 30, 2015

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows):					
Transfers in	763,000	(200,677)	562,323	357,211	(205,112)
Amounts available for appropriation	<u>763,000</u>	<u>(200,677)</u>	<u>562,323</u>	<u>357,211</u>	<u>(205,112)</u>
Charges to appropriations (outflows):					
Capital outlay	763,000	(200,677)	562,323	357,211	205,112
Total appropriations	<u>763,000</u>	<u>(200,677)</u>	<u>562,323</u>	<u>357,211</u>	<u>205,112</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note - Other supplementary information: The basis of budgeting is the same as GAAP

This Page Intentionally Left Blank

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

The Statistical Section of the City of Crestview Hills Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

Section 1: Financial Trend Data:

Pages 46-50

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

Section 2: Revenue Capacity:

Pages 51-55

These tables contain information to help the reader assess the City's most significant local sources of revenue.

Section 3: Debt Capacity:

Pages 56-59

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

Section 4: Demographic and Economic Information:

Pages 60-61

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Pages 62-63

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

CITY OF CRESTVIEW HILLS, KENTUCKY
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 1,799,928	\$ 2,092,641	\$ 1,743,862	\$ 1,359,250	\$ 1,418,119	\$ 1,394,098	\$ 1,238,466	\$ 1,384,751	\$ 1,563,410	\$ 1,893,526
Restricted	677,798	-	-	-	-	-	-	-	-	-
Unrestricted	3,568,315	3,742,916	3,642,026	3,888,039	4,052,567	4,243,194	4,317,207	4,417,337	4,459,878	4,116,532
Total governmental activities net position	\$ 6,046,041	\$ 5,835,557	\$ 5,385,888	\$ 5,247,289	\$ 5,470,686	\$ 5,637,292	\$ 5,555,673	\$ 5,802,088	\$ 6,023,288	\$ 6,010,058

CITY OF CRESTVIEW HILLS, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 17	\$ 630	\$ 3,109	\$ 11,860	\$ 1,598	\$ (3,131)	\$ 811	\$ 2,623	\$ 1,659	\$ 1,389
Public safety	-	-	2,200	2,200	3,995	4,385	4,069	4,400	3,911	3,420
Community Development	16,001	13,075	12,885	15,520	15,382	19,782	12,907	12,408	10,544	7,689
Capital grants and contributions	388,423	93,625	92,741	52,492	55,555	75,755	331,421	73,357	128,184	131,197
Total governmental activities program revenues	404,441	107,330	110,935	82,072	76,530	96,791	349,208	92,788	144,298	143,695
Total Primary government program revenues	\$ 404,441	\$ 107,330	\$ 110,935	\$ 82,072	\$ 76,530	\$ 96,791	\$ 349,208	\$ 92,788	\$ 144,298	\$ 143,695
Expenses										
Governmental activities:										
General government	\$ 407,071	\$ 605,919	\$ 611,723	\$ 593,327	\$ 596,205	\$ 576,874	\$ 580,733	\$ 557,336	\$ 596,030	\$ 585,436
Public safety	736,596	987,138	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,179,061
Public works	1,271,896	844,038	1,242,877	922,688	608,025	573,568	1,116,282	584,229	564,266	571,053
Community Development	29,353	36,125	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355
Interest on long-term debt	42,785	96,065	130,100	87,947	87,524	83,783	78,273	75,921	73,612	67,592
Total governmental activities	2,487,701	2,569,285	3,012,819	2,624,968	2,352,251	2,352,496	3,026,534	2,501,060	2,523,407	2,512,497
Total primary government expenses	\$ 2,487,701	\$ 2,569,285	\$ 3,012,819	\$ 2,624,968	\$ 2,352,251	\$ 2,352,496	\$ 3,026,534	\$ 2,501,060	\$ 2,523,407	\$ 2,512,497
Net (expense)/revenue Governmental Activities	\$(2,083,260)	\$(2,461,955)	\$(2,901,884)	\$(2,542,896)	\$(2,275,721)	\$(2,255,705)	\$(2,677,326)	\$(2,408,272)	\$(2,379,109)	\$(2,368,802)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 501,212	\$ 528,588	\$ 527,141	\$ 573,494	\$ 599,773	\$ 581,200	\$ 577,737	\$ 597,639	\$ 603,408	\$ 623,891
Bank deposit taxes	18,873	21,775	24,998	27,015	33,003	36,931	40,580	41,897	44,198	43,274.00
Public service taxes	1,481,646	1,539,106	1,678,335	1,703,150	1,735,988	1,761,878	1,920,758	1,990,245	1,937,931	1,948,986
Interest	166,756	154,108	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943.00
Miscellaneous	6,255	66,432	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877.00
Total governmental activities	2,174,742	2,310,009	2,393,677	2,404,297	2,499,118	2,422,311	2,595,707	2,654,687	2,600,309	2,644,971
Total primary government	\$ 2,174,742	\$ 2,310,009	\$ 2,393,677	\$ 2,404,297	\$ 2,499,118	\$ 2,422,311	\$ 2,595,707	\$ 2,654,687	\$ 2,600,309	\$ 2,644,971
Change in Net Position										
Governmental activities	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169
Total primary government	\$ 91,482	\$ (151,946)	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169

CITY OF CRESTVIEW HILLS, KENTUCKY
GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Accrual basis of accounting)

Fiscal Year	Property Tax	Payroll License Fee	Net Profits License Fee	Other	Bank Deposits Tax	Total
2006	\$ 481,741	\$ 1,263,986	\$ 185,497	\$ 32,163	\$ 18,873	\$ 1,982,260
2007	515,938	1,347,770	160,017	29,665	21,775	2,075,165
2008	550,722	1,428,168	221,286	28,884	24,998	2,254,058
2009	566,925	1,423,096	246,184	16,935	27,015	2,280,155
2010	599,773	1,469,296	224,179	42,513	33,003	2,368,764
2011	581,200	1,542,322	182,584	36,972	36,931	2,380,009
2012	577,737	1,608,387	270,185	42,186	40,580	2,539,075
2013	597,639	1,657,512	293,378	39,355	41,897	2,629,781
2014	603,408	1,607,965	285,561	44,405	44,198	2,585,537
2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975

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

CITY OF CRESTVIEW HILLS, KENTUCKY

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 2,550,061	\$ 2,726,798	\$ 2,811,109	\$ 2,914,995	\$ 2,968,392	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	887,322	861,375	803,823	942,991	1,065,465	-	-	-	-	-
Nonspendable	-	-	-	-	-	17,750	17,750	14,136	11,960	14,108
Assigned- capital projects	-	-	-	-	-	246,913	-	-	-	-
Assigned- wayfinding signs	-	-	-	-	-	-	-	-	-	141,526
Unassigned	-	-	-	-	-	3,972,539	4,220,227	4,397,185	4,475,715	4,249,795
Total General Fund	\$ 3,437,383	\$ 3,588,173	\$ 3,614,932	\$ 3,857,986	\$ 4,033,857	\$ 4,237,202	\$ 4,237,977	\$ 4,411,321	\$ 4,487,675	\$ 4,405,429

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 500,614	\$ 537,713	\$ 575,720	\$ 566,925	\$ 615,117	\$ 590,355	\$ 578,885	\$ 589,578	\$ 603,611	\$ 623,891
Licenses and permits	1,481,646	1,537,452	1,678,335	1,730,165	1,768,991	1,798,809	1,961,338	2,032,141	1,982,128	1,992,260
Intergovernmental	388,423	93,625	92,741	52,492	55,555	75,755	252,831	151,946	128,185	131,197
Fines and forfeitures	3,157	4,579	53,679	11,856	3,376	(954)	2,677	4,809	3,071	2,509
Charges for services	16,018	13,705	15,119	17,724	17,599	21,990	15,111	14,622	13,043	9,989
Interest	166,756	154,108	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943
Miscellaneous	3,098	61,853	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877
Total revenues	2,559,712	2,403,035	2,578,797	2,479,800	2,590,992	2,528,257	2,867,474	2,818,002	2,744,810	2,788,666
Expenditures										
Current:										
General government	389,275	469,564	485,465	503,140	494,272	489,698	473,767	452,329	484,136	476,503
Public safety	736,596	987,138	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,184,116
Public works	635,459	443,642	845,619	518,165	664,487	524,818	948,301	714,280	699,426	909,793
Community development	42,785	36,125	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355
Capital expenditures	6,205	2,853	-	-	-	-	-	-	-	-
Capital outlay	2,152,054	786,932	-	-	-	-	-	-	-	-
Debt service										
Principal	7,500	107,724	100,000	105,000	110,000	110,000	115,000	120,000	125,000	125,000
Interest	29,353	96,065	92,835	89,435	85,865	82,125	78,385	74,475	70,395	66,145
Total expenditures	3,999,227	2,930,043	2,552,038	2,236,746	2,415,121	2,324,912	2,866,699	2,644,658	2,668,456	2,870,912
Excess (deficiency) of revenues over (under) expenditures	(1,439,515)	(527,008)	26,759	243,054	175,871	203,345	775	173,344	76,354	(82,246)
Other financing sources (uses)										
Bond issue	2,565,000	-	-	-	-	-	-	-	-	-
Bond issue costs	(64,333)	-	-	-	-	-	-	-	-	-
Transfers in	298,152	179,475	418,827	142,577	258,680	106,562	488,264	353,060	313,304	632,211
Transfers out	(298,152)	(179,475)	(418,827)	(142,577)	(258,680)	(106,562)	(488,264)	(353,060)	(313,304)	(632,211)
Total other financing sources (uses)	2,500,667	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ 1,061,152	\$ (527,008)	\$ 26,759	\$ 243,054	\$ 175,871	\$ 203,345	\$ 775	\$ 173,344	\$ 76,354	\$ (82,246)
Debt service as a percentage of non capital expenditures	3.50%	10.50%	9.40%	9.40%	9.10%	8.90%	6.90%	8.50%	8.30%	8.03%

CITY OF CRESTVIEW HILLS, KENTUCKY
GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified accrual basis of accounting - amounts in thousands)

Fiscal Year	Property Tax	Payroll License Fee	Net Profits License Fee	Other	Bank Deposits Tax	Total
2005	\$ 451,140	\$1,044,820	\$ 179,369	\$ 32,138	\$ 16,001	\$ 1,723,468
2006	481,741	1,263,986	185,497	32,163	18,873	1,982,260
2007	515,938	1,347,770	160,017	29,665	21,775	2,075,165
2008	550,722	1,428,168	221,286	28,881	24,998	2,254,055
2009	566,925	1,423,096	246,184	16,935	27,015	2,280,155
2010	582,114	1,469,286	224,179	42,513	33,003	2,351,095
2011	590,355	1,542,323	182,584	36,972	36,931	2,389,165
2012	578,885	1,608,387	270,185	42,186	40,580	2,540,223
2013	589,578	1,657,512	293,377	39,355	41,897	2,621,719
2014	603,611	1,607,965	285,561	44,404	44,198	2,585,739
2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975

The Public Service Tax consists of occupational, net profit and payroll license fees treated as public service taxes. The revenue base for public service taxes (license fees) is not available, in that the City is not the actual tax collector.

The payroll license fees are based on a rate of 1% of total payroll of all persons working in the City up to a maximum of \$118,500.

The net profit license fee is based on a rate of .75% of net profits earned in the City.

CITY OF CRESTVIEW HILLS, KENTUCKY
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year June 30	Real Property	Personal Property	Less: Tax-Exempt Real Property Tax	Total Taxable Assessed Value	Total Direct Rate
2006	\$ 370,017,043	\$ -	\$ 53,949,143	\$ 316,067,900	0.1525
2007	392,589,331	-	54,007,943	338,581,388	0.1525
2008	400,259,531	-	55,055,943	345,203,588	0.1525
2009	460,876,508	-	59,642,343	401,234,165	0.1415
2010	472,415,708	-	61,450,643	410,965,065	0.1455
2011	464,245,283	-	68,371,543	395,873,740	0.1520
2012	470,174,042	-	70,333,302	399,840,740	0.1545
2013	474,272,642	-	71,339,902	402,932,740	0.1570
2014	472,945,842	-	71,555,902	401,389,940	0.1600
2015	476,663,228	-	72,269,602	404,393,626	0.1610

Source: Kenton County PVA

Note: The county assesses property at 100% of fair market value for all types of real and personal property.

CITY OF CRESTVIEW HILLS, KENTUCKY PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (1) Last Ten Fiscal Years
--

Fiscal Year	City of Crestview Hills	Overlapping Rates County			Total Direct and Overlapping Rates
		Kenton County	School District	Other	
2006	\$ 0.1525	\$ 0.1350	\$ 0.5560	\$ 0.1320	\$ 0.9755
2007	0.1525	0.1360	0.5560	0.1350	0.9795
2008	0.1525	0.1380	0.5640	0.1410	0.9955
2009	0.1525	0.1410	0.5580	0.1480	0.9995
2010	0.1415	0.1420	0.5580	0.1530	0.9945
2011	0.1455	0.1480	0.5570	0.1650	1.0155
2012	0.1520	0.1480	0.5570	0.1720	1.0290
2013	0.1545	0.1480	0.5570	0.1720	1.0315
2014	0.1570	0.1480	0.5770	0.1710	1.0530
2015	0.1610	0.1480	0.6090	0.1713	1.0893

(1) Per \$1000 assessed valuation

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

Other taxing districts include TANK and the Kenton County Library, Health, and Extension Districts.

These additional taxing districts were not included in previous years.

CITY OF CRESTVIEW HILLS, KENTUCKY PRINCIPAL PROPERTY TAXPAYERS Current Year and Ten Years Ago
--

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 31,693,380	1	7.84%			
Grandview Summit Investments	19,685,600	2	4.87%			
Higbee Company	11,555,000	3	2.86%			
CP Crestview Hills, LLC	8,500,000	4	2.10%			
Broadstone TS GA Kentucky, LLC	7,752,600	5	1.92%			
Northern KY Racquet Club Inc.	6,580,800	6	1.63%			
Medical Properties	5,500,000	7	1.36%			
Atria Summit Hills LLC	5,076,000	8	1.26%			
Chapel Place D LLC	4,500,000	9	1.11%			
Summit Hills Country Club Inc.	4,391,100	10	1.09%			
TOTAL	\$ 105,234,480		26.04%			
Crestview Hills Towne Center				\$ 14,431,500	1	4.57%
Realty Associates Fund VLP				14,423,700	2	4.57%
Higbee Company				11,555,000	3	3.66%
N. KY Racquet Clubs, Inc.				5,234,000	4	1.66%
Atria Summit Hills, LLC				5,000,000	5	1.58%
Schilling Properties				4,102,500	6	1.30%
Summit Hills Country Club				4,076,600	7	1.29%
Crestview Hills Bank				3,930,000	8	1.24%
Thomas More/Hemmer II LTD				3,750,000	9	1.19%
Thomas More/Hemmer IV LTD				3,750,000	10	1.19%
TOTAL				\$ 70,253,300		22.25%

Source: Kenton County PVA

CITY OF CRESTVIEW HILLS, KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Collections	Total Collections to Date(1)	
					Amount	Percentage of Levy
2006	\$ 482,004	\$ 476,663	99%	\$ 2,892	\$ 479,555	99%
2007	516,249	512,251	99%	3,731	515,982	100%
2008	526,580	520,656	99%	5,240	525,896	99%
2009	567,718	530,212	93%	36,369	566,581	100%
2010	597,713	590,730	99%	5,567	596,297	100%
2011	584,788	583,275	100%	1,513	584,788	100%
2012	576,994	576,737	100%	-	576,737	100%
2013	593,309	579,300	98%	14,010	593,310	100%
2014	603,611	599,810	99%	-	599,810	99%
2015	642,224	623,164	97%	727	623,891	97%

(1) As of June 30, 2015

CITY OF CRESTVIEW HILLS, KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year	Governmental Activities		Total Primary Government	Per Capita	Percentage of Per Capita Personal Income
	General Obligation Bonds	Notes			
2006	\$ 2,565,000	\$ 12,724	\$ 2,577,724	\$ 798	0.01%
2007	2,470,000	-	2,470,000	734	0.01%
2008	2,370,000	-	2,370,000	658	0.01%
2009	2,265,000	-	2,265,000	611	0.01%
2010	2,155,000	-	2,155,000	565	0.01%
2011	2,045,000	-	2,045,000	536	0.01%
2012	1,930,000	-	1,930,000	609	0.01%
2013	1,810,000	-	1,810,000	575	0.01%
2014	1,685,000	-	1,685,000	533	0.01%
2015	1,560,000	-	1,560,000	496	0.01%

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

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

CITY OF CRESTVIEW HILLS, KENTUCKY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year	<u>Governmental Activities</u>		Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available in Debt Service Fund			
2006	\$ 2,565,000	\$ -	\$ 2,565,000	0.81%	\$ 762
2007	2,470,000	-	2,470,000	0.63%	734
2008	2,370,000	-	2,370,000	0.59%	658
2009	2,265,000	-	2,265,000	0.49%	611
2010	2,155,000	-	2,155,000	0.46%	565
2011	2,045,000	-	2,045,000	0.44%	536
2012	1,930,000	-	1,930,000	0.41%	609
2013	1,810,000	-	1,810,000	0.38%	575
2014	1,685,000	-	1,685,000	0.42%	533
2015	1,560,000	-	1,560,000	0.39%	496

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, 2015
(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
Kenton County (2)	\$ 66,425,119	4.03%	\$ 2,676,932
Kenton County School District (3)	183,170,000	4.83%	8,847,111
Other Kenton County Governments (4)	14,732,173	4.03%	593,707
Subtotal, overlapping debt	<u>264,327,292</u>		<u>12,117,750</u>
City of Crestview Hills direct debt	<u>1,560,000</u>	100%	<u>1,560,000</u>
Total direct and overlapping debt	<u><u>\$ 265,887,292</u></u>		<u><u>\$ 13,677,750</u></u>

Source: Kentucky local Debt Report

(1) 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.

(2) Kenton County Treasurer's office

(3) Kenton County School District Treasurer's office

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

CITY OF CRESTVIEW HILLS, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 401,389,940
Add back: exempt real property	71,555,902
Total assessed value	<u>\$ 472,945,842</u>
Debt limit (10% of total taxable assessed value)	<u>\$ 47,294,584</u>
Debt applicable to limit:	
General obligation bonds	1,560,000
Less: amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>1,560,000</u>
Legal debt margin	<u>\$ 45,734,584</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 29,717,845	\$ 31,606,790	\$ 39,258,933	\$ 40,025,953	\$ 46,087,651	\$ 47,241,571	\$ 46,424,528	\$ 47,017,404	\$ 47,427,264	\$ 47,294,854
Total debt applicable to limit	2,565,000	2,470,000	2,370,000	2,265,000	2,155,000	2,045,000	1,930,000	1,810,000	1,685,000	1,560,000
Legal debt margin	29,041,790	3,788,933	37,655,953	43,822,651	45,086,571	44,379,528	45,087,404	45,617,264	45,609,584	\$ 45,734,854
Total net debt applicable to the limit as a percentage of debt limit	8.83%	65.19%	6.29%	5.17%	4.78%	4.61%	4.28%	3.97%	3.69%	3.41%

Note: Under state finance law, the City's 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⁾	Total		Median Age ⁽²⁾	Unemployment Rate ⁽²⁾
		Per Capita Median Income(1)	Personal Income Expressed in Thousands ⁽¹⁾		
2006	3,367	\$ 59,755	\$ 201,195	44.4	5.0%
2007	3,382	63,600	215,095	43.9	4.3%
2008	3,604	57,473	207,133	43.6	5.5%
2009	3,709	58,645	217,514	43.9	8.1%
2010	3,816	57,001	217,516	44.0	9.9%
2011	3,816	57,473	219,317	44.0	9.9%
2012	3,148	40,822	128,508	44.0	9.5%
2013	3,148	40,822	128,508	44.3	7.4%
2014	3,159	40,822	128,508	44.3	5.8%
2015	3,159	40,822	128,508	45.4	5.5%

⁽¹⁾ U.S. Census Bureau and Kentucky Data Center

⁽²⁾ US Bureau of Labor Statistics

⁽³⁾ 2012 and 2013 represents final Census Data while prior years are estimates. 2014 and 2015 are estimates

CITY OF CRESTVIEW HILLS, KENTUCKY
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

2015			2006		
<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Taxpayer</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
St. Elizabeth Physicians	1	12.2%	Fischer Management Inc.	1	6.90%
St. Elizabeth Healthcare	2	9.3%	Thomas More College	2	6.20%
Thomas More College	3	6.1%	The Kroger Company	3	5.10%
Huntington-Kentucky	4	3.9%	Dillard's	4	4.30%
Columbia Sussex Management LLC	5	3.0%	Commonwealth Orthopedic Center	5	3.50%
Higbee Gak LP	6	2.6%	Bank of Kentucky, Inc.	6	2.70%
Dresssman Benzinger Lavelle PSC	7	2.9%	Dresssman Benzinger Lavelle, PSC	7	2.70%
BB&T Bank	8	2.9%	Cincinnati Healthcare Group, PSC	8	2.30%
Children's Hospital Medical Center	9	2.5%	Roeding Group Companies Inc.	9	2.30%
Roeding Group Companies, Inc.	10	1.5%	Pediatric Associates	10	1.90%
TOTAL		46.9%	TOTAL		37.9%

CITY OF CRESTVIEW HILLS, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	3	3	3	3	3	3	3	2	2	3
Public works	1	1	1	1	1	1	1	1	1	1

Source: Human Resource Department

CITY OF CRESTVIEW HILLS, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police:										
Stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	-	-	-	-	-	-	-	-	-	-
Highways and streets										
Street (miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	66	66	73	73	73	73	73	73	73	73

Source: Various City departments

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

Fire and Emergency Medical Service functions are contracted with the Cities of Ft. Mitchell and Edgewood, Kentucky

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

This Page Intentionally Left Blank

INDEPENDENT AUDITOR'S 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 Honorable Mayor and
Members of the Council
City of Crestview Hills, Kentucky**

We have audited the financial statements of the governmental activities, the business-type 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, 2015, which collectively comprise the City of Crestview Hills, Kentucky's basic financial statements and have issued our report thereon dated September 21, 2015. 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 audits of the financial statements, we considered City of Crestview Hills, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Crestview Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Crestview Hills, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This Page Intentionally Left Blank



Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Crestview Hills, Kentucky in a separate letter dated September 21, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Crestview Hills, Kentucky
September 21, 2015

This Page Intentionally Left Blank