

# CITY OF CRESTVIEW HILLS, KENTUCKY

*Comprehensive Annual Financial Report  
Year Ending June 30, 2016*



*Crown Point Neighborhood*

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**  
**For the Year Ended June 30, 2016**

**Prepared by:**

**Finance Department  
City of Crestview Hills**

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2016**

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# INTRODUCTORY SECTION



October 7, 2016

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 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 within six months of the close of each fiscal year. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Crestview Hills for the fiscal year ended.

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 fairly present 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, 2016. 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, and 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 helps 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 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, 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 homes and condominiums, an active retail center, a large business 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 boom 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 a 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 1,600 total employees throughout Northern Kentucky. St. Elizabeth Physicians also maintains a large presence in the community, remaining the top payroll taxpayer during FY 2015-2016.

Like most of the national economy over the past year, Northern Kentucky has seen an uptick in overall business activity. Numerous changes are happening right now around the City. Huntington Bank will be moving their operations' center out of Crestview Hills. This will be a pretty costly move to the tax base, as Huntington is the fourth largest taxpayer in the City. However, there have been several positive activities, including discussion with a developer interested in redevelopment of a property within the office park and continued interest in retailers locating in the Town Center. The City's retail center is almost fully leased and the tenants are profitable. The overall vacancy rate within the office park remains about 5%.

The City continues to explore additional office space on undeveloped lots. The City has several important initiatives, including developing a comprehensive and focused marketing plan for the community's business development program. We will also continue to work with the Regional Economic Development Initiative (REDI) Cincinnati and Tri-Ed in identifying and recruiting new businesses to the Office Park. The City is experiencing a very competitive environment for new and existing jobs.

The overall revenue picture for the City has steadily improved over the past fiscal year. Payroll taxes for FY 2015-2016 increased 7.49% from \$1,622,419 to \$1,743,878. As the economic climate improves, this collectively represents an uptick in the local economy. Net Profits also increased by 28.69% from \$246,607 to \$317,368. This revenue source tends to fluctuate from year to year and the large increases in Net Profits are likely an anomaly.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts was slightly higher in FY 2016, 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.

The residential real estate market has shown fairly robust growth within the last two years. The Crestview Hills community is excited to have the new real estate development, Crown Point Subdivision. The 42 homes within the neighborhood ranges in value from the mid \$600,000s to more than \$1 million. There have also been significant renovations taking place over the past couple of years in the Old Crestview Subdivisions. This signifies a continued healthy housing market in Crestview Hills. Overall the commercial real estate in Northern Kentucky has also been robust; however, because most of the land in Crestview Hills has been developed it is unlikely to see substantial new commercial real estate growth.

### ***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 older residential areas. The City will also face steadily increasing costs for Public Safety and other employee expenses in coming years.

In 2010 the Crestview Hills City Council approved a tax offset for the cost of street maintenance performed by homeowner associations on private residential streets. This year the City reviewed the private road discount based on the 2016 valuations. The ordinance states that the City shall review the discount every five years to ensure that the rate variation directly relates to the cost of the nonrevenue-producing government service of street maintenance for which the residents who reside on private streets do not receive. The previous private road discount was \$.25 per one thousand dollars of taxable value. For 2016 and going forward the new private road discount will be \$.223 per one thousand dollars of taxable value. Since properties on private streets valuations' have increased since 2010, residents will receive a decrease of \$.03 in discount. The total amount of the private street discount is \$22,889.

The City has been busy with numerous construction projects. The reconstruction of both Varsity and Sorority Courts was recently completed. Fraternity Court reconstruction will be completed by October 1<sup>st</sup>. A ten-year plan of street reconstruction has been prepared with expenses ranging between \$200,000 and \$300,000 per year.

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 Centre View Boulevard intersection. The project began August 1<sup>st</sup> with the installation of construction barrels and narrowing the lanes. The actual new road section work began in September 2016 and should be completed by November 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. The Police Authority will add a new officer to the department, which will increase the share of the Cities' cost. 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. In order to ensure that the City can continue to invest each year in maintaining and improving our infrastructure, the City is proposing a utility franchise fee for the first time. This fee is three percent of electric and natural gas usage. This fee would be imposed in conjunction with renewal of the Duke Energy Franchise Agreement (taking effect in January 2017). The new revenue would be dedicated to the City's yearly capital projects fund, to help offset the cost of ongoing street reconstruction programs. Also, due to the significant nature of medically based jobs in the community, the City has to remain diligent to consolidations and relocations of medical practices by the largest employer, St. Elizabeth Physicians. The most notable are the effects of the Affordable Care Act (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 example, OHC (Oncology Hematology Care) has entered into an agreement to transition its Northern Kentucky practice to St. Elizabeth Healthcare.

For the tax year 2016, the City Council approved the compensating rate plus an additional 2.5%. This tax rate would produce \$648,185 in property tax revenue. Due to higher property tax assessments than last year this decreased the property tax rate from .1610 to .1600. There were several changes in the tax roll, including three additions. The City had one new property on Varsity Court, (50% of the home was added in 2015 the other half was added this year) and two additions on properties located on Rossmoyne Avenue. There were reductions in assessed value on 27 residential properties and 5 reductions on commercial properties, which resulted in \$2,504,046 in deletions. Homestead Exemptions also continue to increase, with a total of 434 properties (33% of total residential properties) now receiving the exemption in 2016. Another 6 properties receive the disability exemption. This has resulted in higher 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, 2016 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 2015 - 2016 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 Corporation (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. The City did change worker's compensation insurance to Kentucky League of Cities in 2016.

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, 2015. This was the fifteenth 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 Hill's finances.

Respectfully submitted,

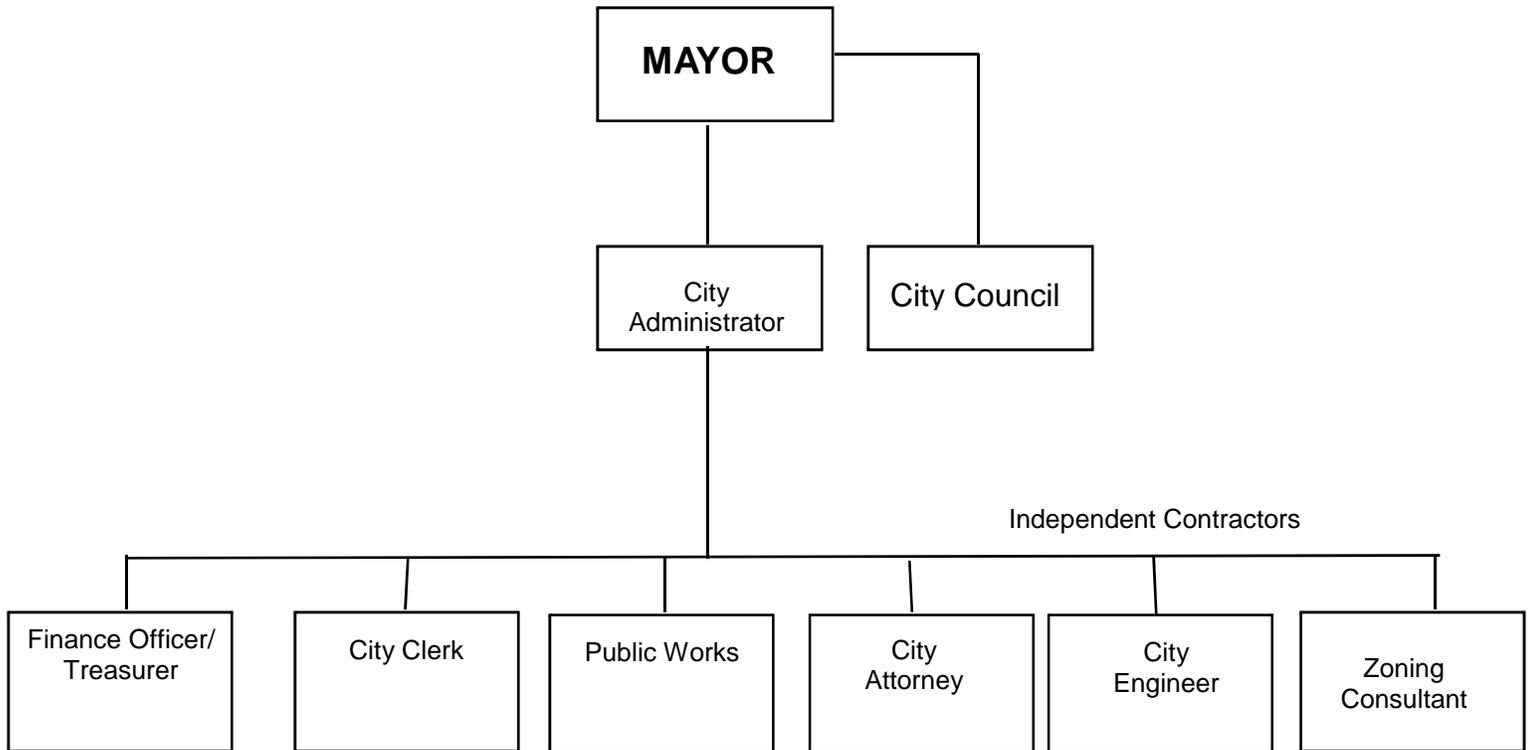
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Tim Williams  
City Administrator

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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, 2016**

Mayor - Council Form of Government

**City Council**

Paul W. Meier  
Mayor

Frank B. Sommerkamp, Jr.  
Mayor Pro Tem

Tim Adair  
Bill Dorsey

Sharon Gronotte  
David Kramer

Joe Roesel

**City Administration**

Tim Williams  
Kara Kramer  
Jaime Mahoney  
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, 2015**

Executive Director/CEO

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# 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, 2016, 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, 2016 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.

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## 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 43-44 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 October 7, 2016 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.  
Erlanger, Kentucky  
October 7, 2016

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**CITY OF CRESTVIEW HILLS, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016**

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, 2016. 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 \$6,499,457 (net position).
- The City's total net position increased \$297,405 this year.
- As of June 30, 2016, the City's governmental funds reported a combined ending fund balance of \$2,943,462, a decrease of (\$1,653,961) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,924,763 a decrease of (\$1,325,032) below fiscal year 2015.
- The City's total debt decreased by \$1,590,945 due to the final payment of \$1,560,000 principal on outstanding debt for the City Building and \$30,947 of interest. An increase of \$153 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 a decrease 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 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 Wayfinding 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.

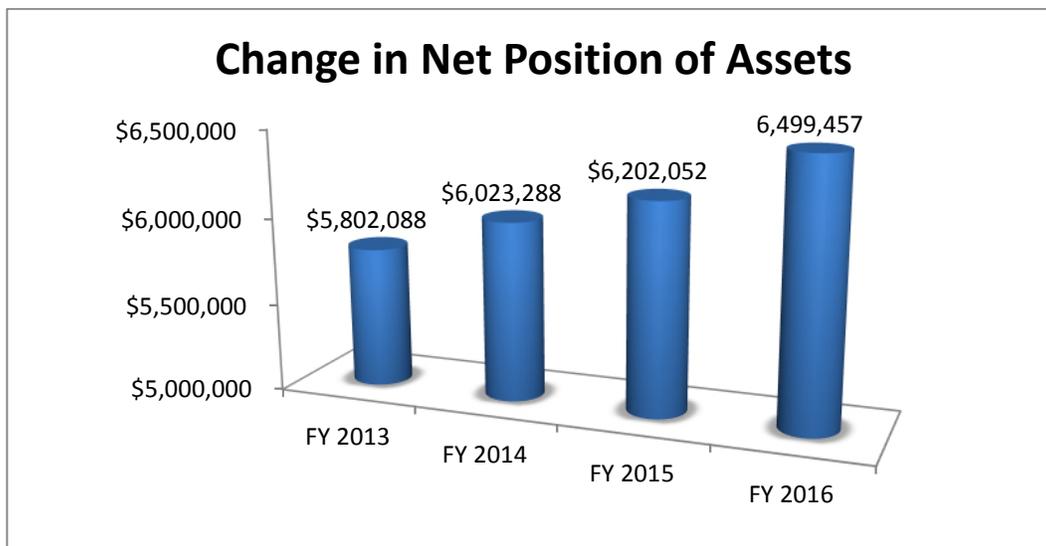
*Notes to the financial statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 – 40 of this report.

*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, 2016 and 2015, net position was stated as follows:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>(Restated) 2015</b>
Current assets	\$ 2,986,612	\$ 4,412,846
Capital assets	3,930,591	3,453,526
Total assets	<u>6,917,203</u>	<u>7,866,372</u>
Deferred outflow of resources	89,061	74,968
Total assets and deferred outflows	<u>7,006,264</u>	<u>7,941,340</u>
Long-term liabilities	418,472	1,737,131
Other liabilities	62,439	161,781
Total liabilities	<u>480,911</u>	<u>1,898,912</u>
Deferred inflow of resources	25,896	32,370
Total liabilities and deferred inflows	<u>506,807</u>	<u>1,931,282</u>
Net investment in capital assets	3,911,302	1,893,526
Unrestricted	2,588,155	4,308,526
Total net assets	<u>\$ 6,499,457</u>	<u>\$ 6,202,052</u>



There was an increase of \$297,405 in net position from last year. Cash decreased \$1,669,367 from 2015 while capital assets increased \$447,065. Current liabilities decreased by \$99,342 and long term liabilities decreased \$1,318,659 due to the early extinguishment of \$1,560,000 in long term debt.

### Governmental Activities

Governmental activities increased the net position of the City of Crestview Hills by \$297,405 during FY2016 as summarized on the following chart:

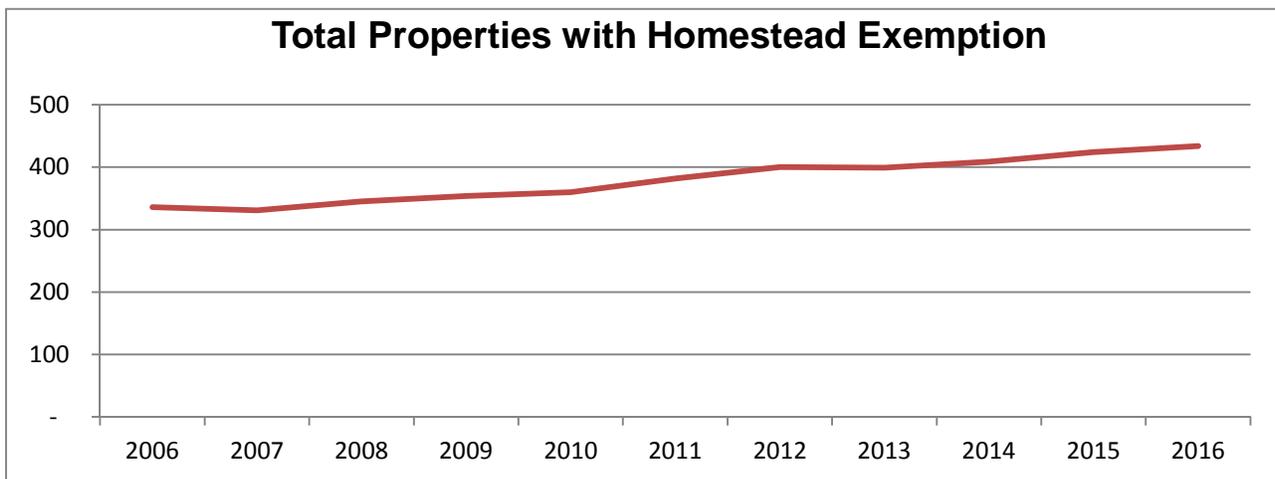
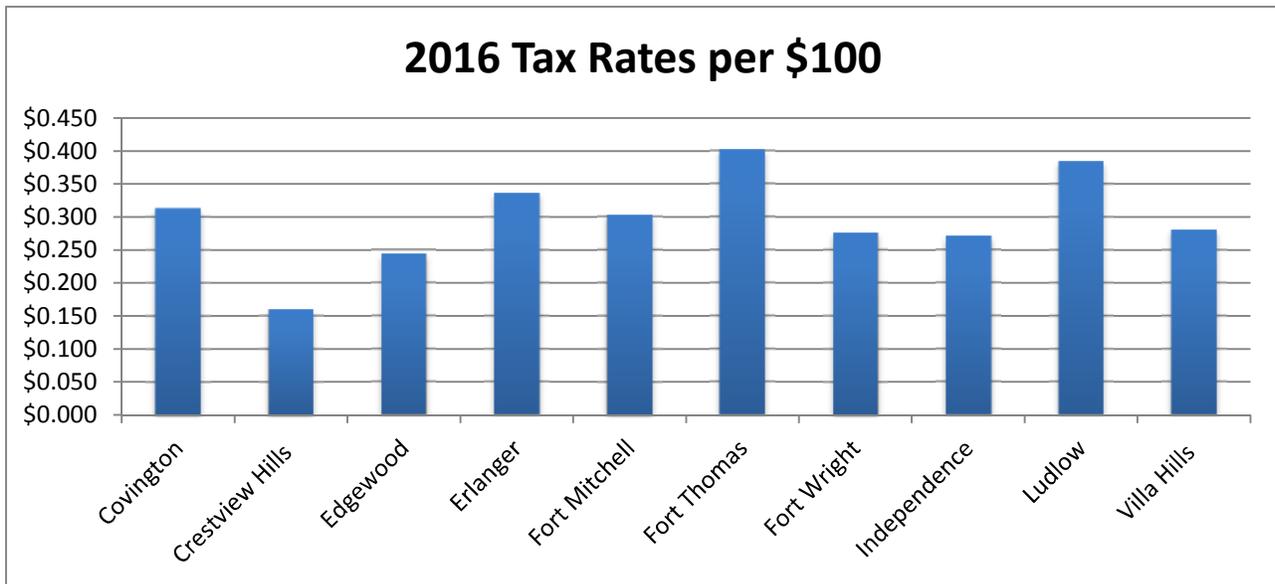
## Changes in Net Position

	Governmental Activities	
	(Restated)	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 16,650	\$ 12,498
Capital grants and contributions	152,412	131,197
General revenues:		
Property taxes	627,437	623,891
Payroll license fees	1,743,878	1,622,419
Net profit license tax	317,368	246,607
Other taxes, licenses, fees	122,578	123,234
Interest	6,031	6,943
Other	15,097	21,877
Total revenues	3,001,451	2,788,666
Expenses:		
General government	685,335	585,436
Public safety	1,237,305	1,179,061
Public works	647,622	571,053
Community development	93,247	109,355
Interest on debt	40,537	67,592
Total expenses	2,704,046	2,512,497
Increase in net position	297,405	276,169
Net position-Beginning	6,202,052	5,925,883
Net position-End of year	\$ 6,499,457	\$ 6,202,052

- Revenues for the City's governmental activities totaled \$3,001,451 compared to \$2,788,666 last year.
- Payroll license fees totaled \$1,743,878 or 57.6% of the total revenues. This was an increase of 7.5% 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 \$627,437 or 20.7% of total revenues. This was an increase of .57% over last year.
- This year total expenses for the City's governmental activities were \$2,704,046 compared to \$2,512,497 last year. This was an increase of 7.6% from last year.

### Governmental Activities: Revenues

Due to the higher property tax assessments than last year property tax rates decreased from .1610 in tax year 2015 to .1600 in tax year 2016. Even though the property tax rate decreased the City Council approved the compensating rate plus an additional 2.5% The City continues to see an increase in Homestead Exemptions with a total 434 properties (33% of total residential properties) now receiving the exemption in 2016. According to Kentucky's Constitution, property owners who are 65 or older are eligible to receive a homestead exemption. For tax year 2016 the homestead exemption is \$36,900. The amount of the exemption is subtracted from the assessed value of the property. The City still maintains one of the lowest overall property tax rates, and the lowest overall tax burden of any City in Northern Kentucky.



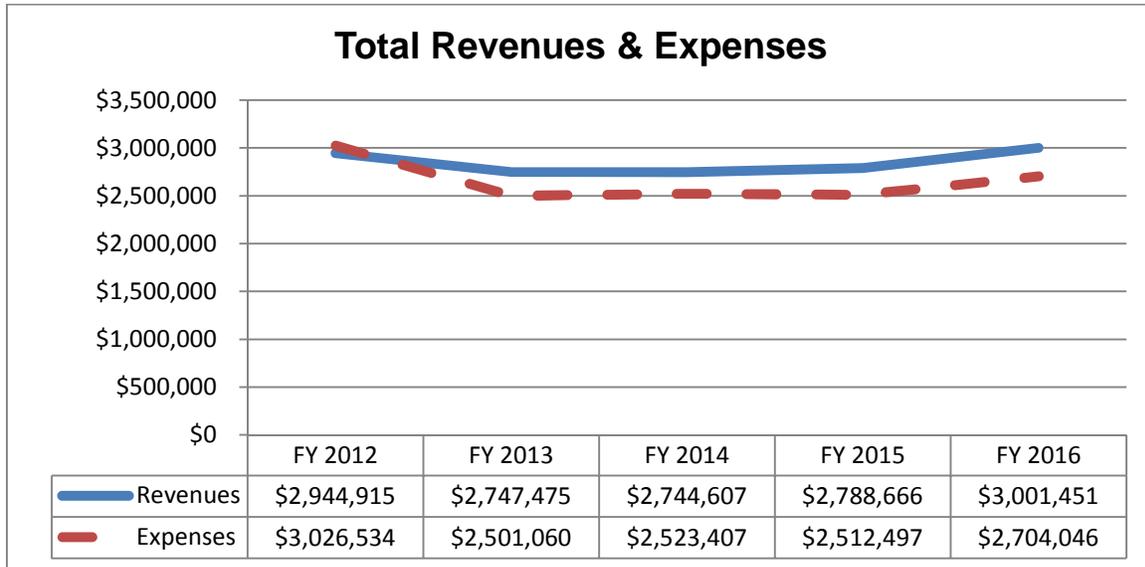
#### **Governmental Activities: Expenses**

General Government expenses increased in FY 2015-2016 by \$1,441,793. This increase is due to the City paying off the bond of the City Building. After many years of discussion, the Council approved the retirement of the debt.

Total Community Development costs decreased from \$109,355 to \$93,247. This is a combination of the spending less money on the Median Planting Projects and also increasing the business sponsorships for the Community Events/Summer Concert Series the City has hosts. 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 \$571,053 to \$647,622. 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 increased by 4.5%. This is due to the increase in our Fire/EMS contract and also the Police Authority Contract. The City has a contractual agreement with the Lakeside Park Crestview Hills Police Department. For FY 2016-2017 the City pays 71.7% of the \$1.5 million budget and Lakeside Park pays 28.3%.



## 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 \$2.90 million, which is a decrease of \$1,461,967 from last year. During the year, a total of \$658,526 was transferred from the general fund to the capital projects fund and a total of \$23,543 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 2017 such as: the widening of Thomas More Parkway past Centre View Boulevard, reconstruction of older city streets and the storm water detention pond on Horsebranch Creek.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Total City Fund Expenditures were less than budgeted amounts by \$345,409. The General Government budgeted expenditures were \$2,163,143 compared to the actual amount of \$2,109,441 including debt service. Public Safety budgeted expenditures were \$1,235,271, compared to the actual amount of \$1,237,305. This is due to the increase in the Fire/Ems and Police Authority Contracts. Public Works budgeted expenditures were \$1,794,417 compared to the actual amount of \$1,103,905. The City budgeted for the Thomas More Lane Widening Project to be completed in FY 2015-2016, however the project was pushed back to FY 2016-2017. Community Development

budgeted expenditures were \$101,210 compared to the actual amount of \$93,247. Money was budgeted for sidewalk maintenance however this project did not get completed.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Debt

The City's total long-term debt for governmental activities decreased by \$1,559,847 during the fiscal year. At year-end, the City had \$19,289 in total outstanding compensated absences and bonds were retired this year. That is a decrease of 98.78% as shown in the following table.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Compensated absences, PTO	\$ 19,289	\$ 19,136
GO Public Project Bonds - 2005	-	1,560,000
	<u>\$ 19,289</u>	<u>\$ 1,579,136</u>

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, 2016 the City had \$14,199,695 invested in governmental net capital assets including, buildings, roads and sidewalks. This represents a net increase of \$799,056.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land & construction in progress	\$ 389,051	\$ 393,475
Buildings	2,590,889	2,590,889
Improvements/infrastructure	10,981,759	10,180,327
Equipment	192,306	190,258
Vehicles	45,690	45,690
Subtotals	<u>14,199,695</u>	<u>13,400,639</u>
Accumulated depreciation	10,269,104	9,947,113
Net Assets	<u>\$ 3,930,591</u>	<u>\$ 3,453,526</u>
This year's additions and deletions included:		
Construction in progress, net of deletions		\$ (4,424)
Infrastructure projects for streets		801,432
Equipment		2,048
		<u>\$ 799,056</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 2016) earned within City limits. Nearly 80% of all City taxes are derived from the businesses and commercial sectors of the City.

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. In order to ensure that the City can continue to invest each year in maintaining and improving our infrastructure, the City is proposing a utility franchise fee for the first time. This fee is three percent of electric and natural gas usage. This fee would be imposed in conjunction with renewal of the Duke Energy Franchise Agreement (taking effect in January 2017). The new revenue would be dedicated to the City's yearly capital projects fund, to help offset the cost of ongoing street reconstruction programs. Also, due to the significant nature of medically based jobs in the community, the City has to remain diligent to consolidations and relocations of medical practices by the largest employer, St. Elizabeth Physicians. The most notable are 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.

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 about 5%, with much of the vacant space separated into small square foot spaces. Two buildings will become vacant this year as Huntington Bank is moving their operation center out of the City. Also, St. Elizabeth Healthcare purchased OHC and the City is uncertain as to the future occupancy of the building. The City continues to pursue future development on undeveloped lots within the office park.

In 2014 the City began 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 the new residential development, Crown Point. 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.

There will be approximately 42 single-family homes with prices ranging from \$600,000 to over \$1 million. 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. The first phase was completed this summer. There were six homes that were built and showcased in the 2016 HomeFest. 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.

## **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.

<b>CITY OF CRESTVIEW HILLS, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2016</b>
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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,278,562
Receivables:	
Property taxes	1,289
Accounts	691,106
Prepaid items	15,655
Capital assets:	
Capital assets not being depreciated	389,051
Other capital assets, net	3,541,540
<b>Total Assets</b>	<b>6,917,203</b>
<b>Deferred Outflows of Resources</b>	
Deferred charges on debt issuance	-
Deferred outflows related to pension	89,061
<b>Total Deferred Outflows of Resources</b>	<b>89,061</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>7,006,264</b>
<b>Liabilities</b>	
Accounts payable	43,150
Accrued interest payable	-
Noncurrent liabilities:	
Due within one year	19,289
Net pension liability	418,472
<b>Total Liabilities</b>	<b>480,911</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	25,896
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>506,807</b>
<b>Net Position</b>	
Net Investment in Capital Assets	3,911,302
Unrestricted	2,588,155
<b>Total Net Position</b>	<b>\$ 6,499,457</b>

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, 2016**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 685,335	\$ -	\$ -	\$ -	\$ (685,335)
Public Safety	1,237,305	2,260	-	-	(1,235,045)
Public works	647,622	-	-	152,412	(495,210)
Community Development	93,247	14,390	-	-	(78,857)
Interest on long-term debt and other bond costs	40,537	-	-	-	(40,537)
<b>Total governmental activities</b>	<b>2,704,046</b>	<b>16,650</b>	<b>-</b>	<b>152,412</b>	<b>(2,534,984)</b>
<b>Total primary government</b>	<b>\$ 2,704,046</b>	<b>\$ 16,650</b>	<b>\$ -</b>	<b>\$ 152,412</b>	<b>\$ (2,534,984)</b>
<b>General revenues:</b>					
Taxes:					
					627,437
					39,748
					1,743,878
					317,368
					82,830
					10,969
					6,031
					4,128
					<b>2,832,389</b>
					<b>297,405</b>
					<b>6,010,058</b>
					<b>191,994</b>
					<b>\$ 6,499,457</b>

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

**CITY OF CRESTVIEW HILLS, KENTUCKY**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**June 30, 2016**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Minor Fund Signage Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,251,976	\$ -	\$ 26,586	\$ 2,278,562
Receivables:				
Property taxes	1,289	-	-	1,289
Accounts	499,572	-	180,689	680,261
Other governments	10,845	-	-	10,845
Due from other funds	204,231	-	-	204,231
Prepays	15,655	-	-	15,655
<b>Total Assets</b>	<u>\$ 2,983,568</u>	<u>\$ -</u>	<u>\$ 207,275</u>	<u>\$ 3,190,843</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 43,150	\$ -	\$ -	\$ 43,150
Due to other funds	-	-	204,231	204,231
<b>Total Liabilities</b>	<u>43,150</u>	<u>-</u>	<u>204,231</u>	<u>247,381</u>
<b>Fund Balances:</b>				
Nonspendable- prepaids	15,655	-	-	15,655
Assigned-capital projects	-	-	-	-
Assigned-wayfinding signage fund	-	-	3,044	3,044
Unassigned	2,924,763	-	-	2,924,763
<b>Total Fund Balances</b>	<u>2,940,418</u>	<u>-</u>	<u>3,044</u>	<u>2,943,462</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,983,568</u>	<u>\$ -</u>	<u>\$ 207,275</u>	<u>\$ 3,190,843</u>
<b>Reconciliation of Total Fund Balance to Net Position</b>				
Total governmental fund balances				\$ 2,943,462
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,				
				3,930,591
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				89,061
Deferred inflow of resources				(25,896)
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				
				(437,761)
<b>Net position of governmental activities</b>				<u>\$ 6,499,457</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, 2016**

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Minor Fund Signage Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 630,863	\$ -	\$ -	\$ 630,863
Licenses and permits	2,190,474	-	-	2,190,474
Intergovernmental	152,412	-	-	152,412
Charges for services	16,650	-	-	16,650
Fines and forfeitures	4,319	-	-	4,319
Interest	6,031	-	-	6,031
Miscellaneous	4,128	-	-	4,128
<b>Total Revenues</b>	<b>3,004,877</b>	<b>-</b>	<b>-</b>	<b>3,004,877</b>
<b>Expenditures</b>				
Current:				
General government	518,494	-	-	518,494
Public safety	1,237,305	-	-	1,237,305
Public works	421,837	658,526	138,482	1,218,845
Community development	93,247	-	-	93,247
Debt service:				
Principal	1,560,000	-	-	1,560,000
Interest	30,947	-	-	30,947
<b>Total Expenditures</b>	<b>3,861,830</b>	<b>658,526</b>	<b>138,482</b>	<b>4,658,838</b>
Excess (deficiency) of revenues over (under) expenditures	(856,953)	(658,526)	(138,482)	(1,653,961)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	658,526	-	658,526
Transfers out	(658,526)	-	-	(658,526)
<b>Total Other Financing Sources (Uses)</b>	<b>(658,526)</b>	<b>658,526</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,515,479)</b>	<b>-</b>	<b>(138,482)</b>	<b>(1,653,961)</b>
<b>Fund Balances - Beginning</b>	<b>4,263,903</b>	<b>-</b>	<b>141,526</b>	<b>4,405,429</b>
<b>Prior Period Adjustment</b>	<b>191,994</b>	<b>-</b>	<b>-</b>	<b>191,994</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,940,418</b>	<b>\$ -</b>	<b>\$ 3,044</b>	<b>\$ 2,943,462</b>

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

<p><b>CITY OF CRESTVIEW HILLS, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,</b>  <b>AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO</b>  <b>THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2016</b></p>
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**Net change in fund balances - total governmental funds** \$ (1,653,961)

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	803,480
Net change in Construction in Progress	(4,424)
Depreciation expense	(321,991)

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 (35,380)

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:

Deferred current year pension contributions	38,743
Costs of benefits earned	(111,273)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	(3,426)
---	---------

Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in governmental funds. 25,790

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. (153)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,560,000

**Change in net position of governmental activities** \$ 297,405

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

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**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 current period or soon enough thereafter to pay liabilities of the current period. For this

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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, payroll 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, 2016**

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, 2016, were \$.1610 per \$100 valuation for real property. The assessed value of property on which the levy for 2015 was based was \$404,393,626.

*Short-Term Interfund Receivables/Payables*

During the course of operations, it is possible for transactions to occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recognized as prepaid items by the purchases method.

*Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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, 2016**

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 reports unavailable revenue in the governmental funds balance sheet only, 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 outflow amounts related to pension contributions since the measurement date and other deferrals related to pensions and deferred inflow amounts related to pensions.

*Fund Balance Policies*

In the fund financial statements, government funds report components of fund balances for amounts that are non-spendable, assigned or unassigned. Non-spendable 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.

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

*Interfund Transactions*

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. The principal purpose of the City's interfund transfers is to account for capital purchases to be recorded in the Capital Projects 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 15<sup>th</sup>, 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.

<p><b>CITY OF CRESTVIEW HILLS, KENTUCKY</b>  <b>Notes to the Financial Statements</b>  <b>Year Ended June 30, 2016</b></p>
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Expenditures may not legally exceed budgeted appropriations at the city 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.

**NOTE C – DEPOSITS AND INVESTMENTS**

As of June 30, 2016, 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, 2016, 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, 2016 was as follows:

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2016</u>
<b>Governmental activities:</b>				
Assets not being depreciated				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Construction in progress	133,475	267,533	(271,957)	129,051
	<u>393,475</u>	<u>267,533</u>	<u>(271,957)</u>	<u>389,051</u>
Other capital assets				
Buildings	2,590,889	-	-	2,590,889
Improvements/infrastructure	10,180,327	801,432	-	10,981,759
Equipment	190,258	2,048	-	192,306
Vehicles	45,690	-	-	45,690
Subtotal	<u>13,007,164</u>	<u>803,480</u>	<u>-</u>	<u>13,810,644</u>
Accumulated depreciation				
Buildings	(792,742)	(88,425)	-	(881,167)
Improvements/infrastructure	(8,950,099)	(215,125)	-	(9,165,224)
Equipment	(171,113)	(15,935)	-	(187,048)
Vehicles	(33,159)	(2,506)	-	(35,665)
Subtotal	<u>(9,947,113)</u>	<u>(321,991)</u>	<u>-</u>	<u>(10,269,104)</u>
Other capital assets, less depreciation	<u>3,060,051</u>	<u>481,489</u>	<u>-</u>	<u>3,541,540</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 3,453,526</u></u>	<u><u>\$ 749,022</u></u>	<u><u>\$ (271,957)</u></u>	<u><u>\$ 3,930,591</u></u>

<b>CITY OF CRESTVIEW HILLS, KENTUCKY</b> <b>Notes to the Financial Statements</b> <b>Year Ended June 30, 2016</b>
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Depreciation was charged to the following governmental activities:

General Government	\$ 106,866
Public Works	215,125
Total	<u>\$ 321,991</u>

**NOTE E – LONG-TERM DEBT**

*Bonds Payable*

The City issued in October, 2005, \$2,565,000 City of Crestview Hills, Kentucky General Obligation Public Project Bonds, Series 2005. The bonds were payable over twenty years at interest varying from 3.40% to 4.15%. On July 14, 2015, the City exercised a call option on its 2005 General Obligation Bond, and paid the residual balance of \$1,560,000 in full.

*Changes in Long-Term Liabilities*

Long-term liability activity for the year ended June 30, 2016, was as follows

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016	Current Portion
<b>Governmental activities -</b>					
Compenstated absences	\$ 19,136	\$ 15,009	\$ (14,856)	\$ 19,289	\$ 19,289
Bonds Payable	1,560,000	-	(1,560,000)	-	-
Total governmental activities	<u>\$ 1,579,136</u>	<u>\$ 15,009</u>	<u>\$ (1,574,856)</u>	<u>\$ 19,289</u>	<u>\$ 19,289</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 District’s eligible employees are covered by the County Employees Retirement System.

**General information about the County Employees Retirement System Non-Hazardous (“CERS”)**

*Plan description*-Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

<p><b>CITY OF CRESTVIEW HILLS, KENTUCKY</b>  <b>Notes to the Financial Statements</b>  <b>Year Ended June 30, 2016</b></p>
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*Benefits provided-* CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	27 years service or 65 years old
	Reduced Retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation Date	September 1, 2008 - December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation Date	After December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced Retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits. Contributions-Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**Contributions**

The City contributed 17.06% of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2016. The City made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$38,743.

<b>CITY OF CRESTVIEW HILLS, KENTUCKY</b> <b>Notes to the Financial Statements</b> <b>Year Ended June 30, 2016</b>
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**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the City reported a liability of \$418,472 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's employer allocation proportion was 0.009733% of the total CERS non-hazardous duty. For the year ended June 30, 2016, the City recognized a pension expense of \$111,273. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 2,487	\$ -
Net difference between projected and actual earnings on plan investments	3,001	25,896
Changes of assumptions	30,176	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,654	-
City contributions subsequent to the measurement date	38,743	-
Total	<u>\$ 89,061</u>	<u>\$ 25,896</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 earnings on plan investments, all of which are deferred over the weighted average years of working lifetime of all plan participants (active and inactive) which is determined to be 3.51 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5 year period.

**Deferred Outflows of Resources**

In FY 2016, \$89,061 was recognized as a deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, d) changes in proportion share, and e) contributions subsequent to the measurement date.

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

These amounts are being amortized as follows:

	Amount Deferred	Amount Amortized	Net Deferral Balance
<b>5.0 Years Amortization Period</b>			
Recognized in previous years	\$ -	\$ -	\$ -
Recognized in current year			
Difference in earnings	3,751	750	3,001
Subtotal	<u>3,751</u>	<u>750</u>	<u>3,001</u>
<b>3.51 Years Amortization Period</b>			
Recognized in previous years	-	-	-
Recognized in current year			
Actuarial losses	3,478	991	2,487
Changes in assumptions	42,198	12,022	30,176
Changes in proportion share	20,493	5,839	14,654
Subtotal	<u>66,169</u>	<u>18,852</u>	<u>47,317</u>
<b>0 Years Amortization Period</b>			
Recognized in current year			
Contributions since measurement date	38,743	-	38,743
Subtotal	<u>38,743</u>	<u>-</u>	<u>38,743</u>
	<u>\$ 108,663</u>	<u>\$ 19,602</u>	<u>\$ 89,061</u>

Future amortization of will be recognized as an offset to pension expense as follows:

Actuarial Losses		Difference in Earnings	
3.51 Year Amortization Period		5 Year Amortization Period	
Fiscal Year Ending	Net Deferral Amortization	Fiscal Year Ending	Net Deferral Amortization
June 30,		June 30,	
2017	\$ 991	2017	\$ 750
2018	991	2018	750
2019	505	2019	750
	<u>\$ 2,487</u>	2020	751
			<u>\$ 3,001</u>
<b>Changes in Assumptions</b>		<b>Changes in Proportion</b>	
3.51 Year Amortization Period		3.51 Year Amortization Period	
Fiscal Year Ending	Net Deferral Amortization	Fiscal Year Ending	Net Deferral Amortization
June 30,		June 30,	
2017	\$ 12,022	2017	\$ 5,838
2018	12,022	2018	5,838
2019	6,132	2019	2,978
	<u>\$ 30,176</u>		<u>\$ 14,654</u>

The City's contributions subsequent to the measurement date of \$38,743 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**Deferred Inflows of Resources**

In 2015, \$32,370 was recognized as a deferred inflow of resources, and was amortized over a closed five year period at an annual amortization amount of \$6,474. There were no further deferred inflows recognized in FY 2016.

These amounts are being amortized as follows:

	Amount Deferred	Amount Amortized	Net Deferral Balance
<b>5.0 Years Amortization Period</b>			
Recognized in previous years	\$ 32,370	\$ 6,474	\$ 25,896
Recognized in current year			
Difference in earnings	-	-	-
Subtotal	<u>32,370</u>	<u>6,474</u>	<u>25,896</u>
<b>3.51 Years Amortization Period</b>			
Recognized in previous years	-	-	-
Recognized in current year			
Changes in proportion share	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,370</u>	<u>\$ 6,474</u>	<u>\$ 25,896</u>

Future amortization of will be recognized in pension expense as follows:

Actuarial Losses 3.51 Year Amortization Period		Difference in Earnings 5 Year Amortization Period	
Fiscal Year Ending June 30,	Net Deferral Amortization	Fiscal Year Ending June 30,	Net Deferral Amortization
2017	\$ -	2017	\$ 6,474
2018	-	2018	6,474
2019	-	2019	6,474
	<u>\$ -</u>	2020	6,474
			<u>\$ 25,896</u>
<b>Changes in Assumptions 3.51 Year Amortization Period</b>		<b>Changes in Proportion 3.51 Year Amortization Period</b>	
Fiscal Year Ending June 30,	Net Deferral Amortization	Fiscal Year Ending June 30,	Net Deferral Amortization
2017	\$ -	2017	\$ -
2018	-	2018	-
2019	-	2019	-
	<u>\$ -</u>		<u>\$ -</u>

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
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	7.50%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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 2008 through 2013, is outlined in a report dated April 30, 2014. 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 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.

<b>CITY OF CRESTVIEW HILLS, KENTUCKY</b> <b>Notes to the Financial Statements</b> <b>Year Ended June 30, 2016</b>
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>CERS Hazardous &amp; Non-Hazardous Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
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	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 7.5%. 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.5%	\$ 534,231
Current discount rate	7.5%	418,472
1% increase	8.5%	319,334

#### 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.

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**NOTE H – CONTINGENT LIABILITIES**

The City is not currently a defendant in any 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, 2016, 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, 2016 was \$1,021,144. The City has committed to extending the agreement for the year ended June 30, 2016. 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 \$133,141 and \$66,525, respectively.

Effective July 1, 2015, the City entered into a three-year agreement with Rumpke of Kentucky, Inc. for solid waste collection and recycling services. The amount paid in FYE 6/30/16 was \$156,420.

**NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

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

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

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**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. 76** – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

**Statement No. 79** – *Certain External Investment Pools and Pool Participants*

**NOTE M – FUTURE ACCOUNTING STANDARDS**

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

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

**Statement No. 77** – *Tax Abatement Disclosures*

**Statement No. 78** – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

**Statement No. 80** – *Blending Requirements for Certain Component Unites – an Amendment of GASB Statement No. 14*

**Statement No. 81** – *Irrevocable Split-Interest Agreements*

**Statement No. 82** – *Pension Issues – an Amendment of GASB Statements No. 67, 68, and 73*

**NOTE N – PRIOR PERIOD ADJUSTMENTS**

The City has recorded adjustments to the beginning net position of \$204,231 and (\$12,237) at June 30, 2016 for a net adjustment of \$191,994. The adjustment of \$204,231 is to set a tax assessment receivable in the signage fund and to recognize related amounts due to the General Fund and due from the Signage Fund at June 30, 2015. The adjustment of (\$12,237) is to recognize \$1,320 in revenues and (\$13,557) in expenses that should have been recognized in the audited financial statements in fiscal year 2015.

**NOTE O – SUBSEQUENT EVENTS**

The City's management has evaluated events through October 7, 2016, the date on which the financial statements were available for issue. The City's management did not have any events subsequent to June 30, 2016 through October 7, 2016 to disclose.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 4,089,951	\$ (13,279)	\$ 4,076,672	\$ 4,263,903	\$ 187,231
<b>Resources (inflows):</b>					
Taxes	637,578	-	637,578	630,863	(6,715)
Licenses and permits:	2,046,069	-	2,046,069	2,190,474	144,405
Intergovernmental	488,450	-	488,450	152,412	(336,038)
Charges for services	14,225	-	14,225	16,650	2,425
Fines and forfeitures	2,850	-	2,850	4,319	1,469
Investment income	7,200	-	7,200	6,031	(1,169)
Miscellaneous	25,000	-	25,000	4,128	(20,872)
<b>Amounts available for appropriation</b>	<b>7,311,323</b>	<b>(13,279)</b>	<b>7,298,044</b>	<b>7,268,780</b>	<b>(29,264)</b>
<b>Charges to appropriations (outflows):</b>					
General government	2,158,399	4,744	2,163,143	2,109,441	53,702
Public safety	1,235,271	-	1,235,271	1,237,305	(2,034)
Public works	455,417	129,724	585,141	421,837	163,304
Community development	104,700	(3,490)	101,210	93,247	7,963
Transfers out	1,339,000	(558,000)	781,000	658,526	122,474
<b>Total charges to appropriation</b>	<b>5,292,787</b>	<b>(427,022)</b>	<b>4,865,765</b>	<b>4,520,356</b>	<b>345,409</b>
Prior period adjustment	-	-	-	191,994	(191,994)
<b>Budgetary fund balance, June 30</b>	<b>\$ 2,018,536</b>	<b>\$ 413,743</b>	<b>\$ 2,432,279</b>	<b>\$ 2,940,418</b>	<b>\$ 508,139</b>

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING,**  
**DEFINED BENEFIT PENSION PLAN DISCLOSURE-NON-HAZARDOUS**  
**For the Year Ended June 30, 2016**

**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Kentucky County Employees Retirement System (CERS)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of net pension liability	0.00973%	0.00894%								
Proportionate share of the net pension liability (asset)	\$ 418,472	\$ 289,995								
Covered payroll in year of measurement	236,586	229,746								
Share of the net pension liability (asset) as a percentage of its covered payroll	176.88%	126.22%								
Plan fiduciary net position as a percentage of total pension liability	59.97%	66.80%								

**Schedule of the City's Contributions**  
**Kentucky County Employees Retirement System (CERS)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 38,743	\$ 39,588								
Actual contribution	38,743	39,588								
Contribution deficiency (excess)	-	-								
Covered payroll	231,684	236,586								
Contributions as a percentage of covered employee payroll	16.72%	16.73%								

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.

# SUPPLEMENTARY INFORMATION

<b>CITY OF CRESTVIEW HILLS, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND</b> <b>For the Year Ended June 30, 2016</b>
---

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
<b>Budgetary fund balances, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows):</b>					
Transfers in	1,339,000	(558,000)	781,000	658,526	(122,474)
<b>Amounts available for appropriation</b>	<u>1,339,000</u>	<u>(558,000)</u>	<u>781,000</u>	<u>658,526</u>	<u>(122,474)</u>
<b>Charges to appropriations (outflows):</b>					
Capital outlay	1,339,000	(558,000)	781,000	658,526	122,474
<b>Total appropriations</b>	<u>1,339,000</u>	<u>(558,000)</u>	<u>781,000</u>	<u>658,526</u>	<u>122,474</u>
<b>Budgetary fund balances, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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# 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 48-52

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 53-57

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

### **Section 3: Debt Capacity:**

Pages 58-61

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 62-63

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 64-65

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 3,911,302
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	2,588,155
<b>Total governmental activities net position</b>	<b>\$ 5,835,557</b>	<b>\$ 5,385,888</b>	<b>\$ 5,247,289</b>	<b>\$ 5,470,686</b>	<b>\$ 5,637,292</b>	<b>\$ 5,555,673</b>	<b>\$ 5,802,088</b>	<b>\$ 6,023,288</b>	<b>\$ 6,010,058</b>	<b>\$ 6,499,457</b>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 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	2,260
Community Development	13,075	12,885	15,520	15,382	19,782	12,907	12,408	10,544	7,689	14,390
Capital grants and contributions	93,625	92,741	52,492	55,555	75,755	331,421	73,357	128,184	131,197	152,412
<b>Total governmental activities program revenues</b>	<b>107,330</b>	<b>110,935</b>	<b>82,072</b>	<b>76,530</b>	<b>96,791</b>	<b>349,208</b>	<b>92,788</b>	<b>144,298</b>	<b>143,695</b>	<b>169,062</b>
<b>Total Primary government program revenues</b>	<b>\$ 107,330</b>	<b>\$ 110,935</b>	<b>\$ 82,072</b>	<b>\$ 76,530</b>	<b>\$ 96,791</b>	<b>\$ 349,208</b>	<b>\$ 92,788</b>	<b>\$ 144,298</b>	<b>\$ 143,695</b>	<b>\$ 169,062</b>
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 605,919	\$ 611,723	\$ 593,327	\$ 596,205	\$ 576,874	\$ 580,733	\$ 557,336	\$ 596,030	585,436	685,335
Public safety	987,138	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,179,061	1,237,305
Public works	844,038	1,242,877	922,688	608,025	573,568	1,116,282	584,229	564,266	571,053	647,622
Community Development	36,125	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355	93,247
Interest on long-term debt	96,065	130,100	87,947	87,524	83,783	78,273	75,921	73,612	67,592	40,537
<b>Total governmental activities</b>	<b>2,569,285</b>	<b>3,012,819</b>	<b>2,624,968</b>	<b>2,352,251</b>	<b>2,352,496</b>	<b>3,026,534</b>	<b>2,501,060</b>	<b>2,523,407</b>	<b>2,512,497</b>	<b>2,704,046</b>
<b>Total primary government expenses</b>	<b>\$ 2,569,285</b>	<b>\$ 3,012,819</b>	<b>\$ 2,624,968</b>	<b>\$ 2,352,251</b>	<b>\$ 2,352,496</b>	<b>\$ 3,026,534</b>	<b>\$ 2,501,060</b>	<b>\$ 2,523,407</b>	<b>\$ 2,512,497</b>	<b>\$ 2,704,046</b>
<b>Net (expense)/revenue Governmental Activities</b>	<b>\$ (2,461,955)</b>	<b>\$ (2,901,884)</b>	<b>\$ (2,542,896)</b>	<b>\$ (2,275,721)</b>	<b>\$ (2,255,705)</b>	<b>\$ (2,677,326)</b>	<b>\$ (2,408,272)</b>	<b>\$ (2,379,109)</b>	<b>\$ (2,368,802)</b>	<b>\$ (2,534,984)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes:										
Property taxes, levied for general purposes	\$ 528,588	\$ 527,141	\$ 573,494	\$ 599,773	\$ 581,200	\$ 577,737	\$ 597,639	\$ 603,408	\$ 623,891	\$ 627,437
Bank deposit taxes	21,775	24,998	27,015	33,003	36,931	40,580	41,897	44,198	43,274	39,748
Public service taxes	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	2,155,045
Interest	154,108	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943	6,031
Miscellaneous	66,432	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877	4,128
<b>Total governmental activities</b>	<b>2,310,009</b>	<b>2,393,677</b>	<b>2,404,297</b>	<b>2,499,118</b>	<b>2,422,311</b>	<b>2,595,707</b>	<b>2,654,687</b>	<b>2,600,309</b>	<b>2,644,971</b>	<b>2,832,389</b>
<b>Total primary government</b>	<b>\$ 2,310,009</b>	<b>\$ 2,393,677</b>	<b>\$ 2,404,297</b>	<b>\$ 2,499,118</b>	<b>\$ 2,422,311</b>	<b>\$ 2,595,707</b>	<b>\$ 2,654,687</b>	<b>\$ 2,600,309</b>	<b>\$ 2,644,971</b>	<b>\$ 2,832,389</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (151,946)	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169	\$ 297,405
<b>Total primary government</b>	<b>\$ (151,946)</b>	<b>\$ (508,207)</b>	<b>\$ (138,599)</b>	<b>\$ 223,397</b>	<b>\$ 166,606</b>	<b>\$ (81,619)</b>	<b>\$ 246,415</b>	<b>\$ 221,200</b>	<b>\$ 276,169</b>	<b>\$ 297,405</b>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Payroll License Fee</b>	<b>Net Profits License Fee</b>	<b>Other</b>	<b>Bank Deposits Tax</b>	<b>Total</b>
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
2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 2,726,798	\$ 2,811,109	\$ 2,914,995	\$ 2,968,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	861,375	803,823	942,991	1,065,465	-	-	-	-	-	-
Nonspendable	-	-	-	-	17,750	17,750	14,136	11,960	14,108	15,655
Assigned- capital projects	-	-	-	-	246,913	-	-	-	-	-
Assigned- wayfinding signs	-	-	-	-	-	-	-	-	141,526	3,044
Unassigned	-	-	-	-	3,972,539	4,220,227	4,397,185	4,475,715	4,249,795	2,924,763
<b>Total General Fund</b>	<b>\$ 3,588,173</b>	<b>\$ 3,614,932</b>	<b>\$ 3,857,986</b>	<b>\$ 4,033,857</b>	<b>\$ 4,237,202</b>	<b>\$ 4,237,977</b>	<b>\$ 4,411,321</b>	<b>\$ 4,487,675</b>	<b>\$ 4,405,429</b>	<b>\$ 2,943,462</b>

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 537,713	\$ 575,720	\$ 566,925	\$ 615,117	\$ 590,355	\$ 578,885	\$ 589,578	\$ 603,611	\$ 623,891	\$ 630,863
Licenses and permits	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	2,190,474
Intergovernmental	93,625	92,741	52,492	55,555	75,755	252,831	151,946	128,185	131,197	152,412
Fines and forfeitures	4,579	53,679	11,856	3,376	(954)	2,677	4,809	3,071	2,509	4,319
Charges for services	13,705	15,119	17,724	17,599	21,990	15,111	14,622	13,043	9,989	16,650
Interest	154,108	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943	6,031
Miscellaneous	61,853	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877	4,128
<b>Total revenues</b>	<b>2,403,035</b>	<b>2,578,797</b>	<b>2,479,800</b>	<b>2,590,992</b>	<b>2,528,257</b>	<b>2,867,474</b>	<b>2,818,002</b>	<b>2,744,810</b>	<b>2,788,666</b>	<b>3,004,877</b>
<b>Expenditures</b>										
Current:										
General government	469,564	485,465	503,140	494,272	489,698	473,767	452,329	484,136	476,503	518,494
Public safety	987,138	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,184,116	1,237,305
Public works	443,642	845,619	518,165	664,487	524,818	948,301	714,280	699,426	909,793	1,218,845
Community development	36,125	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355	93,247
Capital expenditures	2,853	-	-	-	-	-	-	-	-	-
Capital outlay	786,932	-	-	-	-	-	-	-	-	-
Debt service										
Principal	107,724	100,000	105,000	110,000	110,000	115,000	120,000	125,000	125,000	1,560,000
Interest	96,065	92,835	89,435	85,865	82,125	78,385	74,475	70,395	66,145	30,947
<b>Total expenditures</b>	<b>2,930,043</b>	<b>2,552,038</b>	<b>2,236,746</b>	<b>2,415,121</b>	<b>2,324,912</b>	<b>2,866,699</b>	<b>2,644,658</b>	<b>2,668,456</b>	<b>2,870,912</b>	<b>4,658,838</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(527,008)</b>	<b>26,759</b>	<b>243,054</b>	<b>175,871</b>	<b>203,345</b>	<b>775</b>	<b>173,344</b>	<b>76,354</b>	<b>(82,246)</b>	<b>(1,653,961)</b>
<b>Other financing sources (uses)</b>										
Bond issue	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Transfers in	179,475	418,827	142,577	258,680	106,562	488,264	353,060	313,304	632,211	658,526
Transfers out	(179,475)	(418,827)	(142,577)	(258,680)	(106,562)	(488,264)	(353,060)	(313,304)	(632,211)	(658,526)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (527,008)</b>	<b>\$ 26,759</b>	<b>\$ 243,054</b>	<b>\$ 175,871</b>	<b>\$ 203,345</b>	<b>\$ 775</b>	<b>\$ 173,344</b>	<b>\$ 76,354</b>	<b>\$ (82,246)</b>	<b>\$ (1,653,961)</b>
<b>Debt service as a percentage of non capital expenditures</b>	<b>10.50%</b>	<b>9.40%</b>	<b>9.40%</b>	<b>9.10%</b>	<b>8.90%</b>	<b>6.90%</b>	<b>8.50%</b>	<b>8.30%</b>	<b>8.03%</b>	<b>34.15%</b>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Payroll License Fee</b>	<b>Net Profits License Fee</b>	<b>Other</b>	<b>Bank Deposits Tax</b>	<b>Total</b>
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
2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132

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.

<p><b>CITY OF CRESTVIEW HILLS, KENTUCKY</b>  <b>ASSESSED VALUE OF TAXABLE PROPERTY</b>  <b>LAST TEN FISCAL YEARS</b></p>
--

<b>Fiscal Year June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax-Exempt Real Property Tax</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Rate</b>
2007	\$ 392,589,331	\$ -	\$ 54,007,943	\$ 338,581,388	15.25%
2008	400,259,531	-	55,055,943	345,203,588	15.25%
2009	460,876,508	-	59,642,343	401,234,165	14.15%
2010	472,415,708	-	61,450,643	410,965,065	14.55%
2011	464,245,283	-	68,371,543	395,873,740	15.20%
2012	470,174,042	-	70,333,302	399,840,740	15.45%
2013	474,272,642	-	71,339,902	402,932,740	15.70%
2014	472,945,842	-	71,555,902	401,389,940	16.00%
2015	476,663,228	-	72,269,602	404,393,626	16.10%
2016	498,027,602	-	78,705,002	419,322,600	16.10%

Source: Kenton County PVA

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

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

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
2016	0.1600	0.1480	0.6210	0.1715	1.1005

(1) Per \$100 assessed valuation

The City of Crestview Hills is within Kenton County and the Kenton County School Taxing District. Other taxing districts include TANK and the Kenton County Library, Health, and Extension Districts.

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

Taxpayer	2016			2007		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 33,159,000	1	7.91%			
Grandview Summit Investments	20,898,000	2	4.98%			
Higbee Company	11,555,000	3	2.76%			
CP Crestview Hills, LLC	8,859,500	4	2.11%			
Broadstone TS GA Kentucky, LLC	7,755,000	5	1.85%			
Northern KY Racquet Club Inc.	6,580,800	6	1.57%			
Medical Properties	5,500,000	7	1.31%			
Atria Summit Hills LLC	5,076,000	8	1.21%			
Summit Hills Country Club Inc.	4,843,000	9	1.15%			
Chapel Place D LLC	4,500,000	10	1.07%			
<b>Total</b>	<b>\$ 108,726,300</b>		<b>25.92%</b>			
Crestview Hills Towne Center				\$ 28,541,000	1	8.43%
Realty Associates Fund VLP				14,423,700	2	4.26%
Higbee Company				11,555,000	3	3.41%
N. KY Racquet Clubs, Inc.				5,234,000	4	1.55%
Atria Summit Hills, LLC				5,000,000	5	1.48%
Chapel Place D LLC				4,500,000	6	1.33%
EG Properties				4,102,500	7	1.21%
Summit Hills Country Club				4,076,600	8	1.20%
Thomas More/Hemmer II LTD				4,035,000	9	1.19%
Crestview Hills Bank				3,930,000	10	1.16%
<b>Total</b>				<b>\$ 85,397,800</b>		<b>25.22%</b>

Source: Kenton County PVA

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

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
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%
2016	679,236	674,521	99%	3,426	677,947	100%

(1) As of June 30, 2016

**CITY OF CRESTVIEW HILLS, KENTUCKY**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Total Primary Government	Per Capita	Percentage of Per Capita Personal Income
	General Obligation Bonds	Notes			
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%
2016	-	-	-	-	0.00%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial stat  
(1) See the Schedule of Demographic and Economic Statistics for personal income and populatic

<p><b>CITY OF CRESTVIEW HILLS, KENTUCKY</b>  <b>RATIOS OF GENERAL BONDED DEBT OUTSTANDING</b>  <b>Last Ten Fiscal Years</b></p>
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**Governmental Activities**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
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
2016	-	-	-	0.00%	-

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, 2016**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>(1)</sup></b>	<b>Estimated Share of Overlapping Debt</b>
Kenton County (2)	\$ 61,400,588	4.03%	\$ 2,474,444
Kenton County School District (3)	192,365,000	4.83%	9,291,229
Other Kenton County Governments (4)	13,708,086	4.03%	552,436
<b>Subtotal, overlapping debt</b>	<u>267,473,674</u>		<u>12,318,109</u>
City of Crestview Hills direct debt	<u>-</u>		<u>-</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 267,473,674</u></u>		<u><u>\$ 12,318,109</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.

<sup>(2)</sup> Kenton County Treasurer's office

<sup>(3)</sup> Kenton County School District Treasurer's office

<sup>(4)</sup> 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 2016**

Assessed value	\$404,393,626
Add back: exempt real property	72,269,602
Total assessed value	<u>\$476,663,228</u>
Debt limit (10% of total taxable assessed value)	<u>\$ 47,666,323</u>
Debt applicable to limit:	
General obligation bonds	-
Less: amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 47,666,323</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 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	\$ 47,666,323
Total debt applicable to limit	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	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	\$ 47,666,323
Total net debt applicable to the limit as a percentage of debt limit	65.19%	6.29%	5.17%	4.78%	4.61%	4.28%	3.97%	3.69%	3.41%	0.00%

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**

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Per Capita Median Income(1)</b>	<b>Total Personal Income Expressed in Thousands<sup>(1)</sup></b>	<b>Median Age<sup>(2)</sup></b>	<b>Unemployment Rate<sup>(2)</sup></b>
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%
2016	3,159	40,822	128,508	45.4	5.5%

<sup>(1)</sup> U.S. Census Bureau and Kentucky Data Center

<sup>(2)</sup> US Bureau of Labor Statistics

<sup>(3)</sup> 2012 and 2013 represents final Census Data while prior years are estimates. 2014, 2015, and 2016 are estimates.

**CITY OF CRESTVIEW HILLS, KENTUCKY**

**PRINCIPAL EMPLOYERS**

**Current Year and Ten Years Ago**

2016			2007		
<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	11.2%	Fischer Management Inc.	1	7.6%
St. Elizabeth Medical Center	2	10.5%	Thomas More College	2	6.1%
Thomas More College	3	5.8%	The Kroger Company	3	4.8%
Huntington-Kentucky	4	3.9%	Dillard's	4	3.7%
Dresssman Benzinger Lavelle PSC	5	3.0%	Commonwealth Orthopedic Center	5	3.5%
Columbia Sussex Management LLC	6	2.8%	Cincinnati Healthcare Group, PSC	6	2.8%
Higbee Gak LP	7	2.6%	Bank of Kentucky, Inc.	7	2.8%
Tri State Gastroenterology Associate	8	2.5%	Dresssman Benzinger Lavelle, PSC	8	2.6%
Children's Hospital Medical Center	9	2.3%	Patient First Physicians Group	9	2.4%
Burke, Inc.	10	2.2%	Oncology Associates	10	1.8%
<b>TOTAL</b>		<b>46.8%</b>	<b>TOTAL</b>		<b>38.1%</b>

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	3	3	3	3	3	3	2	2	3	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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Public safety</b>										
Police:										
Stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	-	-	-	-	-	-	-	-	-	-
<b>Highways and streets</b>										
Street (miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	66	73	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 Sanitation District No. 1.

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**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, 2016, which collectively comprise the City of Crestview Hills, Kentucky's basic financial statements and have issued our report thereon dated October 7, 2016. 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.

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### 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 October 7, 2016.

### 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.  
Erlanger, Kentucky  
October 7, 2016

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