

CITY OF CRESTVIEW HILLS, KENTUCKY



For the Fiscal Year Ended June 30th, 2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF CRESTVIEW HILLS, KENTUCKY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2019

Prepared by:

**Finance Department
City of Crestview Hills**

CITY OF CRESTVIEW HILLS, KENTUCKY
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INTRODUCTORY SECTION



CITY OF CRESTVIEW HILLS

A Kentucky Chamber of Commerce Hall of Fame City

PAUL W. MEIER, MAYOR

October 25th, 2019

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, Kentucky for the fiscal year ended June 30, 2019.

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, KY 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 unmodified (clean) opinion on the City of Crestview Hills, KY financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

The City provides a wide range of services including public works, engineering, maintenance of dedicated streets and rights-of-way, recreational activities, planning and general administrative functions. Contracted services include police and fire protection, basic and advanced emergency medical service, occupational license tax collections, 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 a Special Revenue Fund utilized 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, KY, incorporated in 1951, is located in Northern Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,280 (2018 U.S. Census estimate) 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, KY financial planning and control. The Mayor is responsible for the presentation of the annual budget to the City Council for approval. The City Administrator and Finance Officer/Treasurer work closely with the Mayor and Council committees to assess the budgetary needs for each upcoming 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 30th, the close of Crestview Hills, KY 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, Kentucky is located seven 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 university (Thomas More University) 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 three 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 university, a gymnastics training facility, and corporate offices in a suburban environment with the lowest overall tax rates in the area. The proximity of the St. Elizabeth Medical Center system in the adjacent City of Edgewood has contributed to the large concentration of healthcare related offices in the City. St. Elizabeth maintains a large presence in the community, remaining the top payroll taxpayer during FY 2018-2019.

Like most of the national economy over the past year, the Northern Kentucky economy has been expanding at a healthy rate. Numerous changes are happening right now around the City. Even though businesses remained stable in Crestview Hills, the Net Profits tax revenue diminished compared to last year. The Net Profits tax revenue stream is unpredictable and fluctuates from year to year. FY 2018-2019, net profits decreased by 16% from the prior year. This was attributable to three key drivers: 1). A few Top 25 Net Profits taxpayers left the City, 2). Delinquent tax filings within the Top 25 taxpayers, and 3). Accounting irregularities with the City's collection agency, and their collection processes. Nevertheless, this is a positive contributor to the City's business tax receipts base during the year, and net profit taxes performed better than budget by \$38,823, or 12%. In addition, the overall vacancy rate within the office park remains low. The City's primary retail center continues to perform well overall, even with a struggling retail clothing market nationally.

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 also continue to work with the Regional Economic Development Initiative (REDI) Cincinnati and NKY Tri-County Economic Development Agency in identifying and recruiting new businesses to the Office Park. The City is experiencing a very competitive environment for new and existing jobs.

The City finalized and enacted the new mixed-use zoning code that was initiated in 2017. The new zone will allow for greater density in a future redeveloped Town Center, as well as the flexibility to gain greater density in the Professional Office 1 Zone at the corner of Turkeyfoot Road and Thomas More Parkway. This could provide the catalyst for future redevelopment in the community providing more tax revenues.

The overall revenue picture for the City improved over the past fiscal year. The City added \$336,178 to the fund balance for FY 2018-2019. In turn, the Payroll taxes were up from \$1,806,331 to \$2,098,661 due in large part to the increased payroll tax collections during the second half of FY 2018-2019. A portion of this increase in payroll tax revenue was the result of the Council's rate change from 1.00% to 1.15% effective January 1st, 2019. On the contrary, Net Profit taxes decreased by 16% from \$432,400 to \$363,823 as noted above. In addition, the utility franchise agreement on gross receipts for gas and electric services with Duke Energy increased by \$16,764, or 10%, over FY 2017-2018.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts was approximately the same in FY 2018-2019, with 495 accounts. For the latest fiscal year, the city registered over 4,000 non-domiciled businesses, everything from construction companies to home service businesses.

The residential real estate market has shown fairly robust growth over the last three years, mirroring the national economy. The final residentially zoned property in the City opened in 2016. The 42 building lots within the neighborhood have homes ranging 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 Subdivision, and a recent tear-down and rebuild in one of our existing neighborhoods. This signifies a continued healthy housing market in Crestview Hills. The City Council moved to bolster the residential area known as College Park in 2017 by adopting a home reinvestment rebate program. This program will hopefully spur renovations and additions in the subdivision as we experience generational turnover. 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, unless there is redevelopment of existing sites.

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 projects, 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 faces steadily increasing costs for Public Safety and other employee expenses in coming years, particularly in light of pension reforms and increased contributions by local employers.

In early 2017, the City Council adopted a utility franchise fee on natural gas and electric services. The intent of the fee was to generate additional revenue to use for the street reconstruction program. The City has been very aggressive over the past seven years identifying older streets and prioritizing their complete reconstruction. The City's program will ensure that taxpayers are not faced with substantial costs in a condensed period down the road.

The City completed several important projects in FY 2018-2019, including the Man O War Court street reconstruction project in the Lookout Farm subdivision, as well as street milling and resurfacing on Legends Way and Trevino Ridge in Summit Lakes. The reconstruction of streets and infrastructure maintenance remains a top reinvestment initiative for the City.

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 Kentucky Legislature adopted in May 2018 significant changes to the State's defined benefit system and a new actuarial funding model for participants that significantly raises payments into the system by members to pay down the unfunded liability. Payments will increase approximately by 12% per year for at least the next 5 years.

The City's focus on infrastructure investment will continue into the future. The City Council has prioritized the maintenance of high-quality infrastructure to support our residential and business base. We anticipate that street spending will remain at above \$500,000 per year over the next ten years, as the City continues to rebuild older streets, maintains our bridges, and repairs/replaces older sidewalks.

On the revenue side, while the City is blessed with a diverse and relatively stable tax base, there are potential issues on the horizon that could impact future revenues. A good deal of the City's tax base relies upon medically based employers in the Office Park. The medical industry has been undergoing significant changes over the past ten years, including changes to reimbursement formulas with the Affordable Care Act. These changes have pushed more independent practices to combine with large medical center systems and moved several of the City's specialty medical practices closer to the Medical Center Campus. Also, with more central control of the various medical practices, more jobs could move based on the larger needs of the medical center system, including corporate and back-office jobs. Finally, as the retail landscape continues to evolve, the sources and strength of revenue from the shopping center district will likely change. The City is actively working with the owner of the Crestview Hills Town Center to explore future opportunities for redevelopment of the existing retail shopping center into a true mixed-use area with residential, business, restaurants and retail uses.

For the tax year 2018, the City Council approved the compensating rate plus an additional 4%. This tax rate produced \$683,599 in property tax revenue. The 4% increase was adopted to assist with the increased costs associated with the new contracts for Police, Fire and EMS services, which began in the last quarter of FY 2017-2018, and will continue to increase 12% each year for the current contract. The City's Fire and Emergency Services contracts with Fort Mitchell and Edgewood continued to escalate significantly by 70% combined. In addition, the Police Authority costs rose by over 8%. A factor to the significant increases is correlated to the new pension contribution costs from the Kentucky Retirement Systems. In addition, the new tax rate increase was implemented, in part, to aid with the annual cost increases in payroll, benefits, and general operating costs (utilities, goods and services, etc.) The property tax rate that was approved and levied FY 2019-2020 is .168 per 100 of assessed value, which equates to the compensating rate plus 2%. There were several changes in the tax roll, including four property additions. The City had one new home added to the new Crown Point Subdivision, as well as a major home renovation along with several property renovations, which created \$1,383,100 in additions. There were reductions in assessed value on 10 residential properties and 3 reductions on commercial properties, which resulted in \$248,700

in deletions. The net effect was an increase in total valuations of \$1,134,400. Homestead Exemptions (owners 65 years of age and older) also continue to increase, with a total of 444 properties (38% of total residential properties) now receiving the exemption in 2019. Another 5 properties receive the disability exemption, as well. For the City to obtain the same amount of revenue from property taxes, the overall rate must be higher to compensate for the increased number of homestead and disability exemptions each year. Furthermore, the Mayor and Council took additional measures to compensate for the significant increases in the new contractual rates for Police and Fire/EMS services in FY 2018-2019 by raising the payroll tax rate to 1.15% from 1% (beginning January 1st, 2019), and levying a \$100 waste and recycling fee to each residential dwelling unit.

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, 2019 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 2018-2019 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 and United States Treasury Notes and Bonds, which are 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 FY 2018-2019, EMC Insurance, provides a full range of insured risks, including property and casualty, automobile, elected official's 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's worker's

compensation insurance is with the Kentucky League of Cities Insurance Trust. FY 2019-2020, the City will be changing insurance carriers from EMC to Kentucky League of Cities Insurance Services. This change is due to the fact that EMC will no longer be underwriting personal lines insurance premiums and will now focus exclusively on supporting and administering commercial lines insurance policies. The City's current insurance agency, Hummel Hatfield, offers and services both personal and commercial lines client base, and will no longer be able to utilize EMC as a carrier. The City solicited bids from other insurance agencies, including an agency who offered EMC as a carrier, and determined that Kentucky League of Cities Insurance Services offered the best rates and coverages for the City.

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 Finance Officer/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, 2018. This was the eighteenth 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 compilation and completion. Credit also must be given to the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of Crestview Hills finances.

Respectfully submitted,

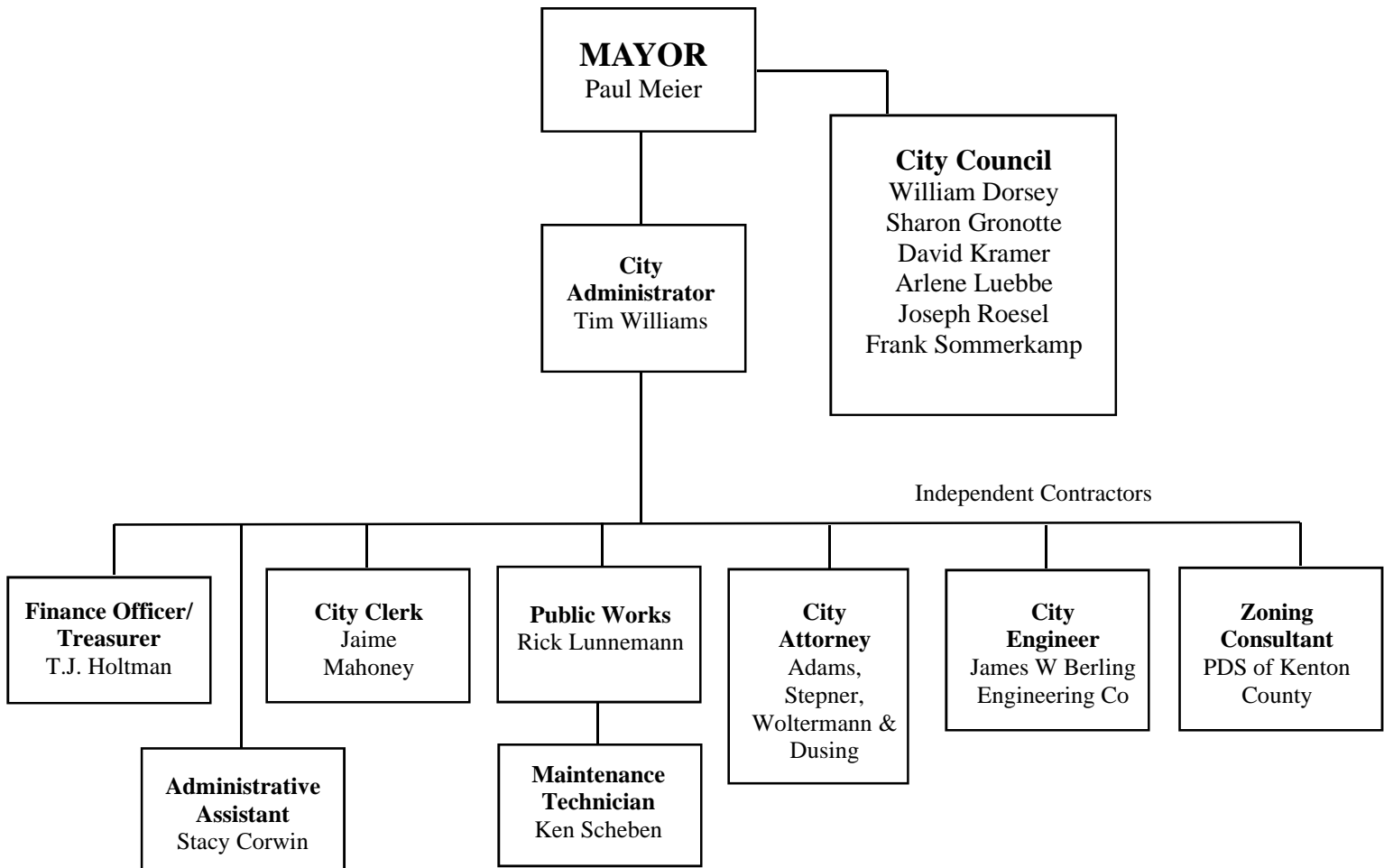


Tim Williams
City Administrator



T.J. Holtman
Finance Officer/Treasurer

City of Crestview Hills, KY Organizational Chart



CITY OF CRESTVIEW HILLS, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2019

Mayor – Council Form of Government

City Council

Paul W. Meier
Mayor

Frank B. Sommerkamp, Jr.
Mayor Pro Tem

William Dorsey
Councilmember

Sharon Gronotte
Councilmember

David Kramer
Councilmember

Arlene Luebbe
Councilmember

Joseph Roesel
Councilmember

City Administration

Tim Williams

City Administrator

T.J. Holtman

Finance Officer/Treasurer

Jaime Mahoney

City Clerk

Stacy Corwin

Administrative Assistant

Rick Lunnemann

Public Works Director

Planning & Development

Services of Kenton County

Building Inspector

Planning & Development

Services of Kenton County

Zoning Consultant

Jim Berling

City Engineer

Mary Ann Stewart

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, 2018

Christopher P. Morill

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, 2019, 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, 2019 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 15-24 and the budgetary comparison schedules and pension and OPEB disclosures on pages 49-53 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 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 28, 2019 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.
Erlanger, Kentucky
October 28, 2019

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CITY OF CRESTVIEW HILLS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

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, 2019. 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 25 and 26) 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 27. 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 \$7,454,740.
- The City's total net position increased \$97,906 this year.
- As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$3,326,039, an increase of \$336,178 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,313,832 an increase of \$337,384 above fiscal year 2017-2018.
- Compensated absences increased from \$12,057 to \$27,402 during the fiscal year.
- The City's Net Pension liability increased by \$32,946, from \$ \$473,767 to \$506,713 during the year. See page Note G for a further explanation on the determination of pension liabilities.
- The net position of deferred outflows and inflows of resources pertaining solely to pensions and OPEB decreased by \$19,730, from \$112,285 to \$92,555 in comparison to last fiscal year. See the page for Note G for further details on the deferred outflows and inflows of resources related exclusively to pensions and OPEB.

The Statement of Net Position and the Statement of Activities

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

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are 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 27 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes. All of the City's funds are governmental funds.

Governmental funds: The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

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

Expenditures and Changes in Fund Balance for the funds. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 25 – 29 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 30 – 47 of this report.

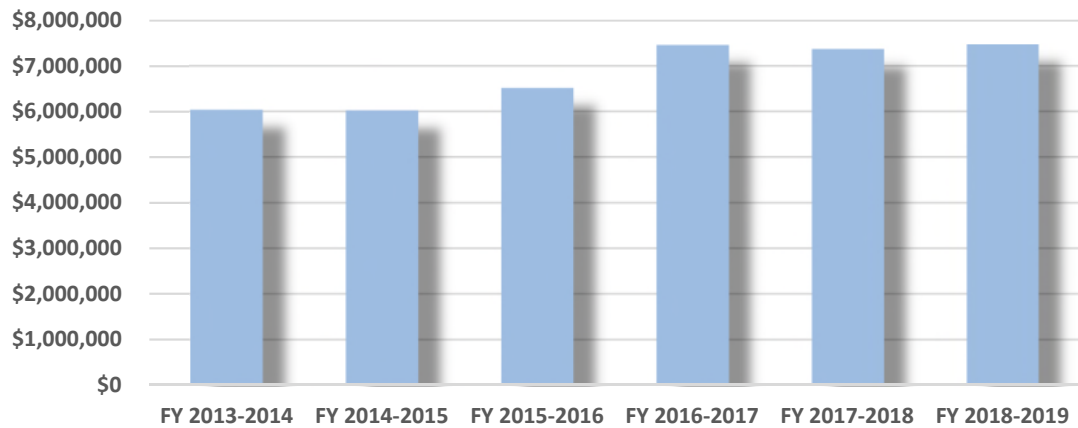
Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, general fund – budget to actual comparison and pension disclosures, on pages 49-51 and other supplementary information, capital project fund – budget to actual, on page 53.

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Crestview Hills assets and liabilities, with the differences between the two reported as net position. For the years ended June 30, 2019 and 2018, net position was stated as follows:

	Governmental Activities	
	<u>2018-2019</u>	<u>2017-2018</u>
Current assets	\$3,546,199	\$3,065,895
Capital assets	<u>4,719,062</u>	<u>4,903,229</u>
Total assets	8,265,261	7,969,124
Deferred outflow of resources		
Deferred outflows related to pensions and OPEB - CERS	<u>179,909</u>	<u>205,542</u>
Total assets and deferred outflows	<u>8,445,170</u>	<u>8,174,666</u>
Long-term liabilities	655,516	636,484
Other liabilities	<u>247,560</u>	<u>88,091</u>
Total liabilities	903,076	724,575
Deferred inflow related to pensions and OPEB - CERS	<u>87,354</u>	<u>93,257</u>
Total liabilities and deferred inflows	<u>990,430</u>	<u>817,832</u>
Net investment in capital assets	4,719,062	4,903,229
Unrestricted	<u>2,735,678</u>	<u>2,453,605</u>
Total net position	<u>\$7,454,740</u>	<u>\$7,356,834</u>

Change in Position of Net Assets FY 2014 - FY 2019



There was an increase of \$97,906 from last year to \$7,454,740 in the City's net position for governmental activities. Cash increased \$337,256 from FY 2017-2018 while capital assets decreased \$184,167 because of additional depreciation expenses. Current liabilities increased by \$159,469 and long-term liabilities increased \$19,032 due entirely to increases in the City's unfunded net pension and other post-employment benefits (OPEB) liability with the Kentucky Retirement System, as well as capital projects accrued which started in FY 2018-2019 to be completed in FY 2019-2020.

Governmental Activities

Governmental activities increased the net position of the City of Crestview Hills by \$97,905 during FY 2018-2019 as summarized on the following chart:

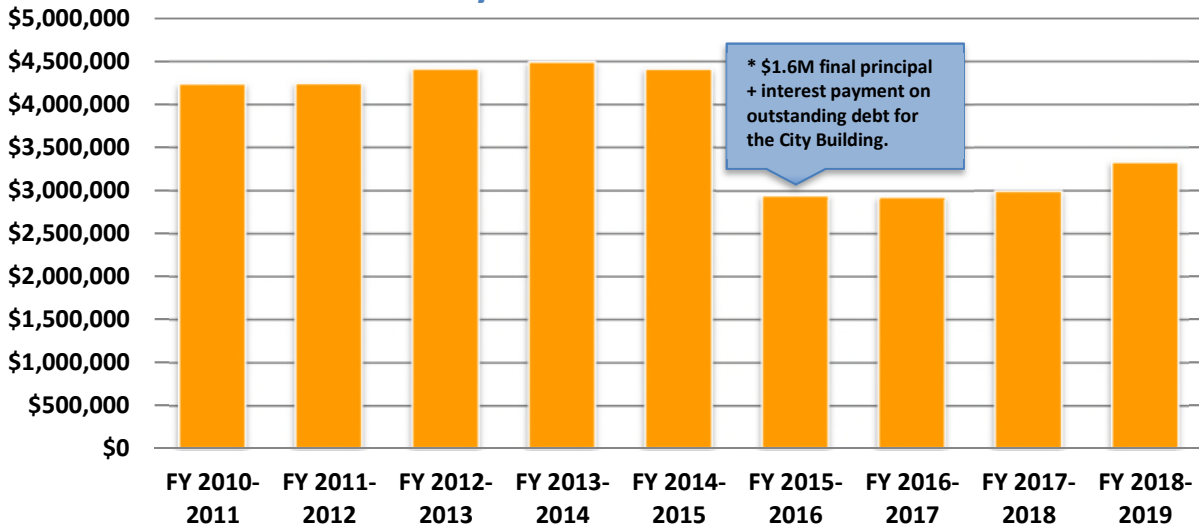
Changes in Net Position Governmental Activities

	2018-2019	2017-2018
Revenues:		
Program revenues:		
Charges for services	\$151,482	\$103,080
Capital grants and contributions	123,493	97,769
General revenues:		
Property taxes	683,599	657,437
Payroll license fees	2,098,661	1,806,331
Net profit license tax	363,823	432,400
Other taxes, licenses, fees	322,289	280,277
Interest	23,640	5,782
Other	<u>1,149</u>	<u>14,361</u>
Total Revenues	<u>3,768,136</u>	<u>3,397,437</u>

Expenses:		
General Government	\$737,412	\$779,259
Public Safety	1,776,955	1,482,557
Public Works	1,050,391	1,044,660
Community Services	105,472	78,925
Interest on debt	<u>0</u>	<u>0</u>
Total Expenses	<u>3,670,230</u>	<u>3,385,401</u>
Change in net position	97,906	12,036
Net Position – Beginning	7,356,834	7,443,822
Prior Period Adjustments	0	19,285
Prior Period Adjustment – GASB 75	<u>0</u>	<u>(118,309)</u>
Net Position - End of Year	<u>\$7,454,740</u>	<u>\$7,356,834</u>

- Revenues for the City's governmental activities totaled \$3,768,136, compared to \$3,397,437 last year.
- Payroll license fees totaled \$2,098,661 or nearly 55% of the total revenues. This was an increase of 16.18% from last year. The increase was due to the change in the payroll tax rate from 1% to 1.15%. This was enacted to help offset the rising costs of the Fire/EMS contracts, as well as an escalation in the Lakeside Park/Crestview Hills Police Authority funding amount.
- The second largest recurring revenue was property taxes, which accounted for \$683,599, an increase of 4% over FY 2017-2018. This increase was directly attributable to the property tax rate increase from .160/\$100 assessed value to .165/\$100 assessed value. This rate reflects the maximum allowable 4% increase over the compensating rate, which was approved by the Mayor and Council in an effort to combat the growing Fire/EMS and Police Authority costs.
- This year total expenses for the City's governmental activities were \$3,670,230 compared to \$3,385,401 last year. The new contracts for Fire and EMS services began in the last quarter of FY 2017-2018 and will continue to increase through the third quarter of FY 2021-2022, which will mark the end of the current 4-year contract term. FY 2018-2019 the ascending Fire/EMS contracts represented a substantial hike of 47.5% over FY 2017-2018. In turn, the City Administration continues to carefully manage expenses to ensure the revenue base can support public service delivery while remaining one of the lowest tax burden communities in Northern Kentucky.

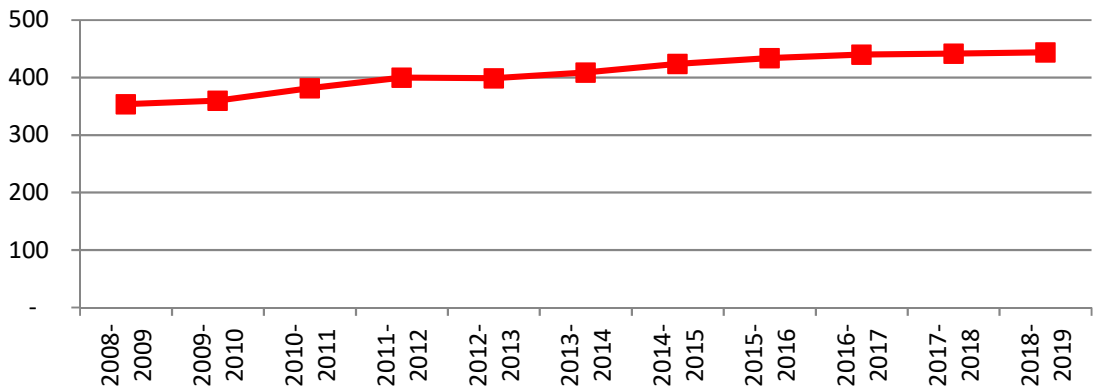
City Fund Balances



Governmental Activities: Revenues

Property tax rates were raised to .165 cents per hundred for the 2018 tax year. Rates increased to help offset the growing Fire/EMS and Police Authority costs. This was the key factor to the property taxes due being up over FY 2017-2018, while the tax base had fewer reassessments on residential and commercial properties. The City’s Homestead & Disability Exemptions grew slightly to a total of 444 properties receiving the exemptions in 2019. Kentucky law allows property owners who are 65 or older to receive a homestead exemption. For tax year 2019 the homestead exemption is \$37,600. The amount of the exemption is subtracted from the assessed value of the property.

Total Properties with Homestead & Disability Exemptions



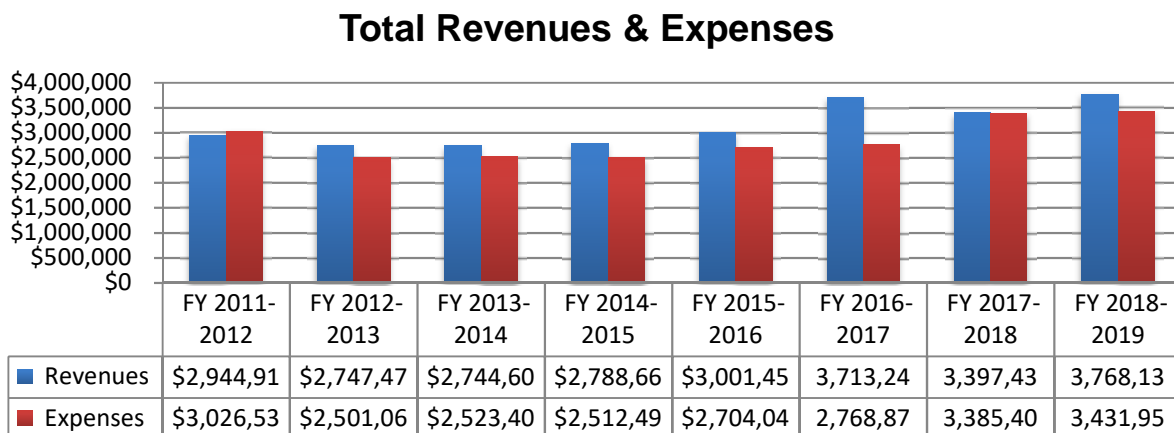
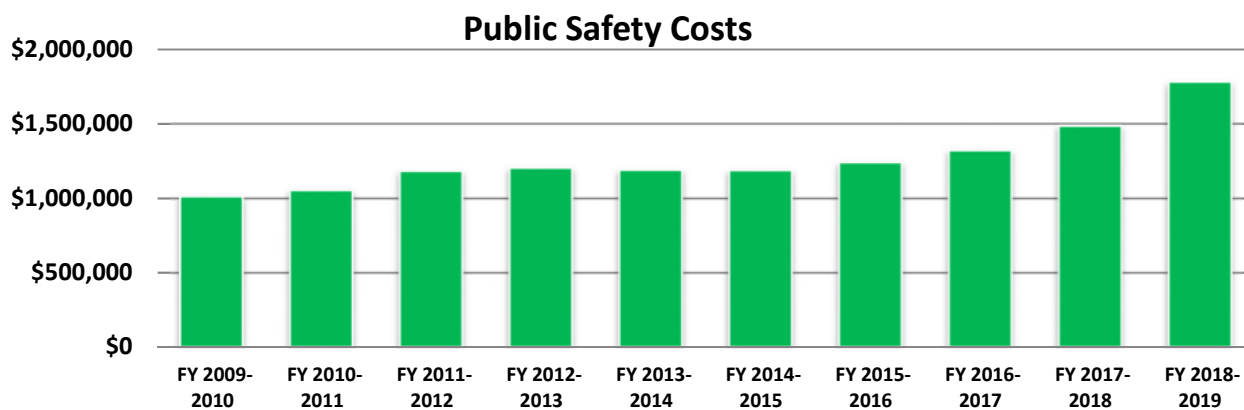
Governmental Activities: Expenses

General Government expenses decreased in FY 2018-2019 by \$41,848, or down by 5.4% from the prior fiscal year. FY 2017-2018, the City focused its attention on economic development and invested funds to review, research, and create a newly expanded mixed-use zoning code. The bulk of the City’s efforts and costs were incurred in FY 2017-2018, and the project came to its completion in FY 2018-2019, which resulted in less expenditures to the City in FY 2018-2019. Ultimately, this is the primary driver to the reduction of expenses in the General Government department FY 2018-2019.

Total Community Development costs increased from \$78,925 to \$105,472. The City created and released an RFP for landscaping/lawn care services and awarded the contract to another new lawn mowing services vendor. However, as compared to FY 2017-2018 where a vendor was selected to reduce costs, the new vendor FY 2018-2019 was chosen not based on the low bid, but on quality of services. As a result, the contract rates increased to accommodate the City's standard of care. In addition, the costs continue to escalate within the recreational programs category, specifically, associated with the annual enhancements to the summer concert series. As the concert series continues to grow in popularity, so too does the expenses. Generally, the sponsors pay approximately 50% of the total concert costs and the City covers the remaining expenses.

The costs of the City's Public Works division rose slightly by \$5,731 over FY 2017-2018. 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 to the City Building. The increase of costs is traced to more depreciation expenses directly related to the continued investment into infrastructure improvements on City roads and streets.

Lastly, Public Safety increased \$294,398 or 19.85% over FY 2017-2018. This is attributable to the rising Police Authority funding due to increasing pension costs, as well as the new contracts for Fire and EMS services, which began in the last quarter of FY 2017-2018 and increase every fourth quarter of the fiscal year. The City's Fire and Emergency Services contracts with Ft. Mitchell and Edgewood continued to increase significantly by 70% (Ft. Mitchell 48% & Edgewood 106%) combined. In addition, the Police Authority costs rose over 8%. The key factor to the significant increases is correlated to the new pension contribution costs from the Kentucky Retirement Systems.



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 \$3,326,039, which is an increase of \$336,178 from last year. During the year, a total of \$530,494 was transferred from the general fund to the capital projects fund and a total of \$24,532 was transferred from the general fund to the special revenue fund with a net effect of \$0. It is anticipated that the capital project expenditures will range between \$500,000 and \$700,000 in the future, as the City Council prioritizes infrastructure maintenance. The City has several projects planned for FY 2019-2020 including: the resurfacing of Parkway Drive in Old Crestview Hills, as well as the Lookout Farm street reconstruction project of Darby Dan, Clairborne Court, and Lookout Farm Drive.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Expenditures were less than budgeted amounts by \$139,510. The General Government budgeted expenditures were \$629,455 compared to the actual amount of \$592,491. Public Safety budgeted expenditures were \$1,777,705, compared to the actual amount of \$1,776,955. Public Works budgeted expenditures were \$434,410 compared to the actual amount of \$401,906. Excluded from that amount were transfers out of the General Fund to the Special Revenue and Capital Projects Funds of \$598,108 budgeted and \$530,494 expended. Community Development budgeted expenditures were \$107,150 compared to the actual amount of \$105,472. Overall, the City continued its prudent management of the City's finances, delivering public services and investing in the City's infrastructure, while doing so below the established budget and within available revenues.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

The City has no long-term debt as of the end of the fiscal year. A General Obligation Bond was paid off early in 2015. Compensated absences totaled \$27,402 at the end of the fiscal year. This was up from FY 2017-2018 as the result of adding the sick time pay liability for one eligible full-time employee.

	Governmental Activities	
	<u>2018-2019</u>	<u>2017-2018</u>
Compensated Absences PTO	\$ 27,402	\$ 12,057
Totals	<u>\$ 27,402</u>	<u>\$ 12,057</u>

Not included in the table above is the \$655,516 recognized as unfunded net pension and OPEB liabilities under GASB 68 and 75. 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, 2019, the City had \$16,460,108 invested in governmental net capital assets including, buildings, roads and sidewalks. This represents a net increase of \$381,104.

	Governmental Activities	
	2018-2019	2017-2018
Land & Construction in Progress	\$260,000	\$260,000
Buildings	2,590,889	2,590,889
Improvements/Infrastructure	13,359,832	12,984,000
Equipment	199,337	194,065
Vehicles	<u>50,050</u>	<u>50,050</u>
Subtotals	16,460,108	16,079,004
Accumulated Depreciation	<u>(11,741,046)</u>	<u>(11,175,775)</u>
Net Capital Assets	<u>\$4,719,062</u>	<u>\$4,903,229</u>

Major additions included:

Construction in progress, net of deletions	\$0
Infrastructure Projects	\$375,831

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 1.15% (effective 1-1-19) on all wages up to \$ 132,900 (for 2019) earned within City limits. Nearly 80% of all City taxes are derived from the businesses and commercial sectors of the City.

The Affordable Care Act has increased the demand for health care services, along with uncertainty and cost pressures stemming from health care reform. Many of the larger health care providers have acquired smaller providers to achieve economies of scale and diversify their customer base and service offerings. These consolidations have also reduced back office employment of medical practices in the City as those functions have been relocated to or in some cases consolidated. Since the majority of medical consolidation in Crestview Hills has been completed in the past eight years, the City's major employer, St. Elizabeth Healthcare, has a significant share (over 25%) of the overall employment. Decisions that are made at the corporate level on practice consolidation and relocation could have a significant impact on future City tax revenues. St. Elizabeth Healthcare moved the headquarters of The Physicians Group (S.E.P.) out of the City in early 2019, resulting in the loss of over 80 well paid jobs. Although the vacated space has been backfilled with medical practices, the net loss in payroll taxes had an impact FY 2018-2019 and going forward. However, the increase in the payroll tax rate from 1% to 1.15%, effective 1-1-19, helped to offset the loss.

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 85% leased. The overall vacancy

rate within the office park is less than 10%, with much of the vacant space separated into small square foot spaces. The former Huntington Bank processing office building was recently purchased by a development company, and much of the space will be occupied by 1st quarter 2020. The City continues to be steadfast in working with brokers and our Economic Development Partners to fill vacant spaces.

Another significant contributor to the City's revenue is the Crestview Hills Town Center. City staff works closely with the owners to support new businesses and to keep the center robust and a destination shopping location in Northern Kentucky. In the new technology savvy culture, where the shopping arena has moved to more online purchases, and consumers desire shops and restaurants to be within walking distance to their homes, the stand alone bricks and mortar shopping centers and malls are impacted significantly and looking at new strategies to compete against the evolving shopping trends of our society. The Town Center owners have worked with the City in development of a new zoning designation for the Center that would allow for a mixed-use zoning code, including offices and housing on the site. The owners are also exploring more entertainment and activity-based businesses that will better compliment the retailers and restaurants, as well as development of housing units to create a more robust economic environment.

On the housing front, the City's subdivisions remain strong and vibrant. The builders of the new Crown Point subdivision completed one additional home in FY 2018-2019, with the total homes now reaching eight of the forty-two lots. Also, construction has begun on the ninth home and will finish early 2020 with the expectations to start several more in 2020. Due to the size and value of the homes, when completed, this subdivision will add significantly to the City's tax base. The City has also recently seen significant upgrades to existing homes in the community as we experience generational turnover. The City also anticipates more tear-downs and rebuilds on existing lots in the next ten years as the community remains a sought-after area due to location and reputation. Finally, in order to bolster reinvestment in the subdivision adjacent to the shopping center, the City Council approved a tax rebate program in 2017 for owner occupied properties that invested at least \$30,000 in their homes via major renovations or additions. The City believes this program will provide a catalyst to update many of the 1960's era homes in the next few years.

The City continues to invest significant tax dollars into existing infrastructure. This will likely continue for the foreseeable future as the City rebuilds old streets and drainage systems, and repairs bridges and sidewalks. City Council also continues to invest in strategic enhancements to the community, including landscaped street medians, gateway signage and decorative lighting. Each of these efforts are long-term investments into the reputation and viability of the community.

Finally, in order for the City to keep up with the increased costs associated with the Police and Fire contract rates, FY 2019-2020 the City Council approved and levied a 2% increase over the compensating rate for property taxes. This increase along with the payroll tax rate change, imposition of a residential garbage fee, and a 4% (above the compensating rate) property tax increase in 2018 have put the City on a more sustainable financial path for the next few years.

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 Officer/Treasurer, T.J. Holtman, at the City of Crestview Hills, 50 Town Center Boulevard, Crestview Hills, Kentucky, 41017.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY STATEMENT OF NET POSITION For the Year Ended June 30, 2019</p>
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	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,602,491
Investments	247,548
Receivables:	
Property taxes	4,584
Accounts	682,160
Prepaid items	9,416
Capital assets:	
Capital assets not being depreciated	260,000
Other capital assets, net	4,459,062
Total assets	<u>8,265,261</u>
Deferred outflows of resources	
Deferred outflows related to pensions and OPEB - CERS	179,909
Total deferred outflows of resources	<u>179,909</u>
Total assets and deferred outflows of resources	<u>8,445,170</u>
Liabilities	
Accounts payable	31,681
Accrued liabilities	175,981
Unearned revenue	12,496
Noncurrent liabilities:	
Compensated absences - current	3,987
Compensated absences - long term	23,415
Net pension and OPEB liability - CERS	655,516
Total liabilities	<u>903,076</u>
Deferred inflows of resources	
Deferred inflows related to pensions and OPEB - CERS	87,354
Total liabilities and deferred inflows of resources	<u>990,430</u>
Net position	
Net investment in capital assets	4,719,062
Unrestricted	2,735,678
Total net position	<u>\$ 7,454,740</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 737,411	\$ 108,900	\$ -	\$ -	\$ (628,511)
Public safety	1,776,955	-	-	-	(1,776,955)
Public works	1,050,391	24,532	-	123,493	(902,366)
Community development	105,472	18,050	-	-	(87,422)
Total governmental activities	<u>3,670,229</u>	<u>151,482</u>	<u>-</u>	<u>123,493</u>	<u>(3,395,254)</u>
Total primary government	<u>\$ 3,670,229</u>	<u>\$ 151,482</u>	<u>\$ -</u>	<u>\$ 123,493</u>	<u>\$ (3,395,254)</u>
General revenues:					
Taxes:					
				\$	683,599
					38,243
					2,098,661
					363,823
					84,514
					199,531
					23,640
					1,149
					<u>3,493,160</u>
					97,906
					7,356,834
				\$	<u>7,454,740</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Capital Projects Fund	Signage Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,599,700	\$ -	\$ 2,791	\$ 2,602,491
Investments	247,548	-	-	247,548
Receivables:				
Property taxes	4,584	-	-	4,584
Accounts	572,499	-	109,661	682,160
Due from other funds	109,661	-	-	109,661
Prepays	9,416	-	-	9,416
Total assets	\$ 3,543,408	\$ -	\$ 112,452	\$ 3,655,860
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 31,681	\$ -	\$ -	\$ 31,681
Miscellaneous accruals	175,983	-	-	175,983
Unearned revenues	12,496	-	-	12,496
Due to other funds	-	-	109,661	109,661
Total liabilities	220,160	-	109,661	329,821
Fund balances:				
Nonspendable- prepaids	9,416	-	-	9,416
Assigned-capital projects	-	-	-	-
Assigned-wayfinding signage fund	-	-	2,791	2,791
Unassigned	3,313,832	-	-	3,313,832
Total fund balances	3,323,248	-	2,791	3,326,039
Total liabilities and fund balances	\$ 3,543,408	\$ -	\$ 112,452	\$ 3,655,860
Reconciliation of total fund balance to net position				
Total governmental fund balances				\$ 3,326,039
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.				
				4,719,062
Deferred outflows and inflows of resources related to pensions and post employment health insurance are applicable to future periods and, therefore, are not reportable in the funds:				
Deferred outflow of resources - pensions - CERS				134,655
Deferred outflow of resources - OPEB - CERS				45,254
Deferred inflow of resources - pensions - CERS				(59,112)
Deferred inflow of resources - OPEB - CERS				(28,241)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Compensated absences				(27,401)
Net pension liability - CERS				(506,713)
Net OPEB liability - CERS				(148,803)
Net position of governmental activities				\$ 7,454,740

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, 2019

	General	Capital Projects Fund	Signage Fund	Total Governmental Funds
Revenues				
Taxes	\$ 683,599	\$ -	\$ -	\$ 683,599
Licenses and permits	2,775,063	-	-	2,775,063
Intergovernmental	123,493	-	-	123,493
Charges for services	126,950	-	24,532	151,482
Fines and forfeitures	9,710	-	-	9,710
Investment Income	23,640	-	-	23,640
Miscellaneous	1,149	-	-	1,149
Total revenues	3,743,604	-	24,532	3,768,136
Expenditures				
Current:				
General government	592,491	-	-	592,491
Public safety	1,776,955	-	-	1,776,955
Public works	401,906	530,494	24,640	957,040
Community development	105,472	-	-	105,472
Total expenditures	2,876,824	530,494	24,640	3,431,958
Excess (deficiency) of revenues over (under) expenditures	866,780	(530,494)	(108)	336,178
Other financing sources (uses)				
Transfers in	-	530,494	-	530,494
Transfers out	(530,494)	-	-	(530,494)
Total other financing sources (uses)	(530,494)	530,494	-	-
Net change in fund balances	336,286	-	(108)	336,178
Prior year adjustments	-	-	-	-
Fund balances - beginning	2,986,962	-	2,899	2,989,861
Fund balances - ending	\$ 3,323,248	\$ -	\$ 2,791	\$ 3,326,039

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019</p>

Net change in fund balances - total governmental funds \$ 336,178

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	381,104
Depreciation expense	(565,271)

Governmental funds report City pension and post employment health insurance contributions as expenditures. However, in the statement of activities, the cost of pension and post employment health insurance benefits earned, net of employer contributions, is reported as an expense:

Cost of benefits earned - pensions- CERS	(32,893)
Cost of benefits earned - OPEB - CERS	(5,868)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences	<u>(15,344)</u>
--------------------------------	-----------------

Change in net position of governmental activities \$ 97,906

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, 2019

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 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, fiduciary 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 purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

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.

The Wayfinding Signage Fund accounts 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.
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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

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, 2019, were \$.165 per \$100 valuation for real property. The assessed value of property on which the levy for 2018 was based was \$424,798,500.

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, 2019 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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The City capitalizes infrastructure assets exceeding \$5,000 and all other assets at \$2,000.

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

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

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

Buildings	20-28	years
Building Improvements	7-20	years
Public Domain Infrastructure	25-30	years
Vehicles	5-20	years
Office Equipment	5-20	years

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

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. The liability is reported on the statement of net position based on rates of pay in effect as of June 30, 2019.

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 pensions and OPEB contributions since the measurement date and other deferrals related to pensions and OPEB and deferred inflow amounts related to pensions and OPEB.

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 two assigned funds, the Capital Projects Fund and the Wayfinding Signage Fund. To assign funds, the City Council would authorize the Mayor (chief executive officer) to assign fund balances through established procedures.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it 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.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

Required Supplementary Information Budgetary Policies

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

Restricted Revenues

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

Use of Estimates

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 15th, the Mayor submits to the Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the 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.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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NOTE C – DEPOSITS AND 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, 2018, 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.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments’ fair value measurements and associated levels are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Government bonds:				
U.S. treasury bill	\$ 99,118	\$ 99,118	\$ -	\$ -
U.S. treasury bill	98,176	98,176	-	-
U.S. treasury note	50,254	50,254	-	-
Total government bonds	247,548	247,548	-	-
Equity securities:				
Mutual funds	-	-	-	-
Total equity securities	-	-	-	-
Subtotal investments	247,548	247,548	-	-
Cash and Cash Equivalents				
Money market funds	-	-	-	-
Total investments	\$ 247,548	\$ 247,548	\$ -	\$ -

CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
Governmental activities:				
Assets not being depreciated				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
Other capital assets				
Buildings	2,590,889	-	-	2,590,889
Improvements/infrastructure	12,984,000	375,831	-	13,359,831
Equipment	194,065	5,273	-	199,338
Vehicles	50,050	-	-	50,050
Subtotal	<u>15,819,004</u>	<u>381,104</u>	<u>-</u>	<u>16,200,108</u>
Accumulated depreciation				
Buildings	(1,058,016)	(88,425)	-	(1,146,441)
Improvements/infrastructure	(9,901,675)	(469,182)	-	(10,370,857)
Equipment	(191,409)	(1,780)	-	(193,189)
Vehicles	(24,675)	(5,884)	-	(30,559)
Subtotal	<u>(11,175,775)</u>	<u>(565,271)</u>	<u>-</u>	<u>(11,741,046)</u>
Other capital assets, less depreciation	<u>4,643,229</u>	<u>(184,167)</u>	<u>-</u>	<u>4,459,062</u>
Governmental activities capital assets, net	<u>\$ 4,903,229</u>	<u>\$ (184,167)</u>	<u>\$ -</u>	<u>\$ 4,719,062</u>

Depreciation was charged to the following governmental activities:

General Government	\$ 96,089
Public Works	469,182
Total	<u>\$ 565,271</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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NOTE E – DEBT

The City’s only debt is the amount of unpaid vacation owed to City employees. The total is \$27,402 of which \$3,987 is current and payable in the next twelve month and \$23,415 is long-term. These funds are liquidated through the General Fund.

Short-term liability activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Current Portion
Governmental activities -					
Compenstated absences	\$ 12,057	\$ 28,239	\$ (12,894)	\$ 27,402	\$ 3,987
Total governmental activities	<u>\$ 12,057</u>	<u>\$ 28,239</u>	<u>\$ (12,894)</u>	<u>\$ 27,402</u>	<u>\$ 3,987</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 – EMPLOYEES’ RETIREMENT SYSTEMS

The City’s eligible employees are covered by the County Employees Retirement System (CERS), which is discussed in detail below.

COUNTY EMPLOYEES RETIREMENT SYSTEM – (CERS)

Plan description - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“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/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has only non-hazardous duty employees.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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CERS PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty 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
	Reduced retirement	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 of 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 of 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 pension plan contributions by the employee are based on the tier:

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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Contributions

For non-hazardous duty employees, the City contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$49,281 of which \$37,213 was for the pension fund and \$12,068 was for the health insurance fund.

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

At June 30, 2019, the City reported a liability of \$506,713 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's non-hazardous employer allocation proportion was 0.00832% of the total CERS non-hazardous duty. For the year ended June 30, 2019, the City recognized pension expense of \$38,762 in addition to its \$49,281 pension contribution.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Net
	Deferred Outflow	Deferred Inflow	Outflow (Inflow)
Differences between expected and actual experience	\$ 16,528	\$ (7,417)	\$ 9,111
Net difference between projected actual earnings on plan investments	23,563	(29,638)	(6,075)
Changes of assumptions	49,521	-	49,521
Changes in proportion and differences between contributions and proportionate share of contributions	7,830	(22,057)	(14,227)
Contributions subsequent to the measurement date	37,213	-	37,213
	\$ 134,655	\$ (59,112)	\$ 75,543

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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The City's contributions subsequent to the measurement date of \$37,213 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 28,493
2020	16,973
2021	(4,418)
2022	(2,718)
	\$ 38,330

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, 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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 2017. In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- 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 (set-back 1 year 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 assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 637,900	\$ 506,713	\$ 396,802

CERS HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2019, was 5.26% of covered-employee payroll for non-hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$12,068 for non-hazardous duty employees for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2018, the City's proportion of the non-hazardous plan was 0.00838%

For the year ended June 30, 2019, the City recognized an OPEB expense of \$5,868. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Non-Hazardous</u>		<u>Net</u>
	<u>Deferred</u>	<u>Deferred</u>	<u>Outflow</u>
	<u>Outflow</u>	<u>Inflow</u>	<u>(Inflow)</u>
Differences between expected and actual experience	\$ -	\$ (17,341)	\$ (17,341)
Net difference between projected actual earnings on plan investments	-	(10,250)	(10,250)
Changes of assumptions	29,718	(344)	29,374
Changes in proportion and differences between contributions and proportionate share of contributions	3,468	(306)	3,162
Contributions subsequent to the measurement date	12,068	-	12,068
	<u>\$ 45,254</u>	<u>\$ (28,241)</u>	<u>\$ 17,013</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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The City's contributions subsequent to the measurement date, \$12,068 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 1,113
2020	1,113
2021	1,113
2022	3,103
2023	(712)
Thereafter	(784)
	\$ 4,946

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	27 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

Changes of Assumptions

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- 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).

In 2018, the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.84% to 5.85%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.85% for the non-hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.85%	5.85%	6.85%
Net OPEB liability, non-hazardous	\$ 193,271	\$ 148,803	\$ 110,924

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 110,785	\$ 148,803	\$ 193,615

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601

NOTE H – CONTINGENT LIABILITIES

The City is not currently a defendant in 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 estimates that the amount of actual or potential claims against the City as of June 30, 2019, 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.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2019</p>
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NOTE J – JOINTLY GOVERNED ORGANIZATION

In 1968, the cities of Crestview Hills and Lakeside Park signed an interlocal agreement to form a joint police authority. The Lakeside Park-Crestview Hills Police Authority (Authority) is governed by a 5 member board, board members are appointed by the City of Crestview Hills and by the City of Lakeside Park with the majority of the members (3) rotated each year among the cities. The Chairmanship of the Board rotates each year between the two cities based on the majority. The Authority is an independent legal entity established by the interlocal agreement and the cities have no ongoing financial interest in the entity. In the event of the dissolution of the Authority, each city retains an ‘in-substance’ residual interest, based on the percentage of each city’s total contributions, to any property owned by the entity.

The cities pay the Authority an annual amount for police protection services. This amount is determined by a formula that takes into account the property values, call volumes, and types of property activities (i.e. residential, commercial, etc.) within each city. In fiscal year 2018-2019, the City of Crestview Hills paid \$1,289,955 to the Authority for police protection services.

NOTE K – COMMITMENTS

On April 1, 2018, 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, 2022. The contract amounts for fire and emergency services from Ft. Mitchell and Edgewood are \$246,250 and \$223,500, 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 for the fiscal year ended June 30, 2019 was \$166,595.

NOTE L – TAX ABATEMENTS

In accordance with GASB 77, the City had the following tax abatements for the fiscal year ended June 30, 2019:

Tax Payer	Tax Approved for Abatement	Authority	Commitment	Amount Abated this Fiscal Year	Date Abatement Ends
Residents on Private Street	\$0.025 per \$100 Assessment	Crestview City Council Ordinance 2010-15-02	5 years with renewal after review by City	\$ 22,731	July 2020, with potential renewal
Residents in College Park Neighborhood	Up to \$350 annual property tax rebate	Crestview City Council Ordinance 2017-01-01	7 Years	\$ -	December 31, 2023
Greensky, LLC	Occupational License Fee	Kentucky Business Investment Program	10 Years	\$ 11,391	July 2026
Total Abatement for the Year Ended June 30, 2019				<u>\$ 34,122</u>	

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2019

NOTE M – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2019

Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2019

NOTE N – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

Statement No. 90 – *Majority Equity Interests* – Implementation in 2020

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2022

NOTE O – SUBSEQUENT EVENTS

The City's management has evaluated events through October 28, 2019, the date on which the financial statements were available for issue. The City's management did not have any events subsequent to June 30, 2019 through October 28, 2019 to disclose.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 2,902,143	\$ -	\$ 2,902,143	\$ 2,986,962	\$ 84,819
Prior year fund balance adjustments	-	-	-	-	-
Resources (inflows):					
Taxes	709,615	-	709,615	683,599	(26,016)
Licenses and permits:	2,645,967	-	2,645,967	2,775,063	129,096
Intergovernmental	119,940	-	119,940	123,493	3,553
Charges for services	125,310	-	125,310	126,950	1,640
Fines and forfeitures	3,800	-	3,800	9,710	5,910
Investment income	3,800	-	3,800	23,640	19,840
Miscellaneous	5,000	-	5,000	1,149	(3,851)
Amounts available for appropriation	<u>6,515,575</u>	<u>-</u>	<u>6,515,575</u>	<u>6,730,566</u>	<u>214,991</u>
Charges to appropriations (outflows):					
General government	629,455	-	629,455	592,491	36,964
Public safety	1,765,455	12,250	1,777,705	1,776,955	750
Public works	450,410	(16,000)	434,410	401,906	32,504
Community development	91,427	15,723	107,150	105,472	1,678
Transfers out	610,108	(12,000)	598,108	530,494	67,614
Total charges to appropriation	<u>3,546,855</u>	<u>(27)</u>	<u>3,546,828</u>	<u>3,407,318</u>	<u>139,510</u>
Budgetary fund balance, June 30	<u>\$ 2,968,720</u>	<u>\$ 27</u>	<u>\$ 2,968,747</u>	<u>\$ 3,323,248</u>	<u>\$ 354,501</u>

CITY OF CRESTVIEW HILLS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND For the Year Ended June 30, 2019

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows):					
Transfers in	585,500	(12,000)	573,500	530,494	(43,006)
Amounts available for appropriation	<u>585,500</u>	<u>(12,000)</u>	<u>573,500</u>	<u>530,494</u>	<u>(43,006)</u>
Charges to appropriations (outflows):					
Capital outlay	585,500	(12,000)	573,500	530,494	43,006
Total appropriations	<u>585,500</u>	<u>(12,000)</u>	<u>573,500</u>	<u>530,494</u>	<u>43,006</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - WAYFINDING SIGNAGE FUND For the Year Ended June 30, 2019

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ 2,899	\$ 2,899
Resources (inflows):					
Special assessments	24,500	-	24,500	24,532	32
Amounts available for appropriation	<u>24,500</u>	<u>-</u>	<u>24,500</u>	<u>27,431</u>	<u>2,931</u>
Charges to appropriations (outflows):					
Transfer to General Fund	24,500		24,500	24,532	(32)
Bank fees	108	-	108	108	-
Total appropriations	<u>24,608</u>	<u>-</u>	<u>24,608</u>	<u>24,640</u>	<u>(32)</u>
Budgetary fund balances, June 30	<u>\$ (108)</u>	<u>\$ -</u>	<u>\$ (108)</u>	<u>\$ 2,791</u>	<u>\$ 2,899</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
CERS - REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING,
DEFINED BENEFIT, PENSION PLAN DISCLOSURE-NON-HAZARDOUS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule of the City's Proportionate Share of the Net Pension Liability
Kentucky County Employees' Retirement System (CERS)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.83200%	0.00809%	0.00920%	0.00973%	0.00894%					
Proportionate share of the net pension liability (asset)	\$506,713	\$473,767	\$453,097	\$418,472	\$289,995					
Covered payroll in year of measurement	210,840	207,232	227,093	224,039	221,040					
Share of the net pension liability (asset) as a percentage of its covered payroll	240.33%	228.62%	199.52%	186.79%	131.20%					
Plan fiduciary net position as a percentage of total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%					

Schedule of the City's Pension Fund Contributions
Kentucky County Employees' Retirement System (CERS)
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 37,213	\$ 30,530	\$ 26,888	\$ 28,205	\$ 28,565					
Actual contribution	37,213	30,530	26,888	28,205	28,565					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	229,424	210,840	207,232	227,093	224,039					
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%					

Notes to Required Supplementary Information for the Year Ended June 30, 2019

The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date are detailed in NOTE G in the Notes to the Financial Statements.

CITY OF CRESTVIEW HILLS, KENTUCKY
CERS - REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING,
DEFINED BENEFIT, OPEB PLAN DISCLOSURE-NON-HAZARDOUS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule of the City's Proportionate Share of the Net Pension Liability
Kentucky County Employees' Retirement System (CERS)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.00838%	0.00809%								
Proportionate share of the net pension liability (asset)	\$148,803	\$162,717								
Covered payroll in year of measurement	210,840	207,232								
Share of the net pension liability (asset) as a percentage of its covered payroll	70.58%	78.52%								
Plan fiduciary net position as a percentage of total pension liability	57.62%	52.40%								

Schedule of the City's Pension Fund Contributions
Kentucky County Employees' Retirement System (CERS)
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 12,068	\$ 9,909	\$ 9,117							
Actual contribution	12,068	9,909	9,117							
Contribution deficiency (excess)	-	-	-							
Covered payroll	229,424	210,840	207,232							
Contributions as a percentage of covered payroll	5.26%	4.70%	4.73%							

Notes to Required Supplementary Information for the Year Ended June 30, 2019

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date are detailed in NOTE G in the Notes to the Financial Statements.

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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 56-60

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 61-65

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

Section 3: Debt Capacity:

Pages 66-69

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 70-71

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 72-73

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									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Governmental activities										
Net investment in capital assets	\$ 1,418,119	\$ 1,394,098	\$ 1,238,466	\$ 1,384,751	\$ 1,563,410	\$ 1,893,526	\$ 3,911,302	\$ 4,894,134	\$ 4,903,229	\$ 4,719,062
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	4,052,567	4,243,194	4,317,207	4,417,337	4,459,878	4,116,532	2,588,155	2,549,688	2,453,605	2,735,678
Total governmental activities net position	\$ 5,470,686	\$ 5,637,292	\$ 5,555,673	\$ 5,802,088	\$ 6,023,288	\$ 6,010,058	\$ 6,499,457	\$ 7,443,822	\$ 7,356,834	\$ 7,454,740

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

	Fiscal Year									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,598	\$ (3,131)	\$ 811	\$ 2,623	\$ 1,659	\$ 1,389	\$ -	\$ -	\$ -	\$ 108,900
Public safety	3,995	4,385	4,069	4,400	3,911	3,420	2,260	25,233	39,850	-
Public works	-	-	-	-	-	-	-	22,058	47,980	24,532
Community development	15,382	19,782	12,907	12,408	10,544	7,689	14,390	9,481	15,250	18,050
Capital grants and contributions	55,555	75,755	331,421	73,357	128,184	131,197	152,412	694,632	97,769	123,493
Total governmental activities program revenues	76,530	96,791	349,208	92,788	144,298	143,695	169,062	751,404	200,849	274,975
Total Primary government program revenues	\$ 76,530	\$ 96,791	\$ 349,208	\$ 92,788	\$ 144,298	\$ 143,695	\$ 169,062	\$ 751,404	\$ 200,849	\$ 274,975
Expenses										
Governmental activities:										
General government	\$ 596,205	\$ 576,874	\$ 580,733	\$ 557,336	\$ 596,030	585,436	685,335	636,737	779,259	737,411
Public safety	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,179,061	1,237,305	1,316,898	1,482,557	1,776,955
Public works	608,025	573,568	1,116,282	584,229	564,266	571,053	647,622	730,455	1,044,660	1,050,391
Community development	49,949	66,985	70,566	82,312	102,824	109,355	93,247	84,787	78,925	105,472
Interest on long-term debt	87,524	83,783	78,273	75,921	73,612	67,592	40,537	-	-	-
Total governmental activities	2,352,251	2,352,496	3,026,534	2,501,060	2,523,407	2,512,497	2,704,046	2,768,877	3,385,401	3,670,229
Total primary government expenses	\$ 2,352,251	\$ 2,352,496	\$ 3,026,534	\$ 2,501,060	\$ 2,523,407	\$ 2,512,497	\$ 2,704,046	\$ 2,768,877	\$ 3,385,401	\$ 3,670,229
Net (expense)/revenue Governmental Activities	\$(2,275,721)	\$(2,255,705)	\$(2,677,326)	\$(2,408,272)	\$(2,379,109)	\$(2,368,802)	\$(2,534,984)	\$(2,017,473)	\$(3,184,552)	\$(3,395,254)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 599,773	\$ 581,200	\$ 577,737	\$ 597,639	\$ 603,408	\$ 623,891	\$ 627,437	\$ 654,192	\$ 657,437	\$ 683,599
Bank deposit taxes	33,003	36,931	40,580	41,897	44,198	43,274	39,748	34,779	34,850	38,243
Public service taxes	1,735,988	1,761,878	1,920,758	1,990,245	1,937,931	1,948,986	2,155,045	2,264,414	2,484,158	2,746,529
Interest	64,146	29,847	22,660	9,968	9,932	6,943	6,031	6,056	5,782	23,640
Miscellaneous	66,208	12,455	33,972	14,938	4,840	21,877	4,128	2,397	14,361	1,149
Total governmental activities	2,499,118	2,422,311	2,595,707	2,654,687	2,600,309	2,644,971	2,832,389	2,961,838	3,196,588	3,493,160
Total primary government	\$ 2,499,118	\$ 2,422,311	\$ 2,595,707	\$ 2,654,687	\$ 2,600,309	\$ 2,644,971	\$ 2,832,389	\$ 2,961,838	\$ 3,196,588	\$ 3,493,160
Change in Net Position										
Current year Governmental activities	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169	\$ 297,405	\$ 944,365	\$ 12,036	\$ 97,906
Prior year adjustments	-	-	-	-	-	(289,399)	191,994	-	(99,024)	-
Total primary government	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ (13,230)	\$ 489,399	\$ 944,365	\$ (86,988)	\$ 97,906

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

Fiscal Year	Property Tax	Payroll License Fee	Net Profits License Fee	Other	Bank Deposits Tax	Total
2009-2010	\$ 599,773	\$ 1,469,296	\$ 224,179	\$ 42,513	\$ 33,003	\$ 2,368,764
2010-2011	581,200	1,542,322	182,584	36,972	36,931	2,380,009
2011-2012	577,737	1,608,387	270,185	42,186	40,580	2,539,075
2012-2013	597,639	1,657,512	293,378	39,355	41,897	2,629,781
2013-2014	603,408	1,607,965	285,561	44,405	44,198	2,585,537
2014-2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975
2015-2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132
2016-2017	654,192	1,809,737	349,743	64,949	34,779	2,913,400
2017-2018	657,437	1,806,331	432,400	51,267	34,850	2,982,285
2018-2019	683,599	2,098,661	363,823	55,925	38,243	3,240,251

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									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016 ⁽¹⁾	2016-2017	2017-2018	2018-2019
General Fund										
Reserved	\$ 2,968,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,065,465	-	-	-	-	-	-	-	-	-
Nonspendable	-	17,750	17,750	14,136	11,960	14,108	15,655	14,474	10,514	9,416
Assigned- capital projects	-	246,913	-	-	-	-	-	-	-	-
Assigned- wayfinding signs	-	-	-	-	-	141,526	3,044	2,997	2,899	2,791
Unassigned	-	3,972,539	4,220,227	4,397,185	4,475,715	4,249,795	2,732,769	2,907,706	2,957,163	3,313,832
Prior year adjustments - Unassigned	-	-	-	-	-	-	191,994	-	19,285	-
Total General Fund	\$ 4,033,857	\$ 4,237,202	\$ 4,237,977	\$ 4,411,321	\$ 4,487,675	\$ 4,405,429	\$ 2,943,462	\$ 2,925,177	\$ 2,989,861	\$ 3,326,039

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

	Fiscal Year									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Revenues										
Taxes	\$ 615,117	\$ 590,355	\$ 578,885	\$ 589,578	\$ 603,611	\$ 623,891	\$ 630,863	\$ 654,192	\$ 657,437	\$ 683,599
Licenses and permits	1,768,991	1,798,809	1,961,338	2,032,141	1,982,128	1,992,260	2,190,474	2,291,437	2,515,956	2,775,063
Intergovernmental	55,555	75,755	252,831	151,946	128,185	131,197	152,412	694,632	97,769	123,493
Fines and forfeitures	3,376	(954)	2,677	4,809	3,071	2,509	4,319	7,756	3,052	9,710
Charges for services	17,599	21,990	15,111	14,622	13,043	9,989	16,650	56,772	103,080	151,482
Interest	64,146	29,847	22,660	9,968	9,932	6,943	6,031	6,056	5,782	23,640
Miscellaneous	66,208	12,455	33,972	14,938	4,840	21,877	4,128	2,397	19,813	1,149
Total revenues	2,590,992	2,528,257	2,867,474	2,818,002	2,744,810	2,788,666	3,004,877	3,713,242	3,402,889	3,768,136
Expenditures										
Current:										
General government	494,272	489,698	473,767	452,329	484,136	476,503	518,494	542,075	670,266	592,491
Public safety	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,184,116	1,237,305	1,316,898	1,482,557	1,776,955
Public works	664,487	524,818	948,301	714,280	699,426	909,793	1,218,845	1,787,767	1,125,742	957,040
Community development	49,949	66,985	70,566	82,312	102,824	109,355	93,247	84,787	78,925	105,472
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	110,000	110,000	115,000	120,000	125,000	125,000	1,560,000	-	-	-
Interest	85,865	82,125	78,385	74,475	70,395	66,145	30,947	-	-	-
Total expenditures	2,415,121	2,324,912	2,866,699	2,644,658	2,668,456	2,870,912	4,658,838	3,731,527	3,357,490	3,431,958
Excess (deficiency) of revenues over (under) expenditures	175,871	203,345	775	173,344	76,354	(82,246)	(1,653,961)	(18,285)	45,399	336,178
Other financing sources (uses)										
Bond issue	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Transfers in	258,680	106,562	488,264	353,060	313,304	632,211	632,211	1,391,634	688,661	530,494
Transfers out	(258,680)	(106,562)	(488,264)	(353,060)	(313,304)	(632,211)	(632,211)	(1,391,634)	(688,661)	(530,494)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in current year fund balance	175,871	203,345	775	173,344	76,354	(82,246)	(1,653,961)	(18,285)	45,399	336,178
Prior year adjustments	-	-	-	-	-	-	191,994	-	19,285	-
Net change in fund balance	\$ 175,871	\$ 203,345	\$ 775	\$ 173,344	\$ 76,354	\$ (82,246)	\$ (1,461,967)	\$ (18,285)	\$ 64,684	\$ 336,178
Debt service as a percentage of non capital expenditures	9.10%	8.90%	6.90%	8.50%	8.30%	8.03%	34.15%	0.00%	0.00%	0.00%

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

Fiscal Year	Property Tax	Payroll License Fee	Net Profits License Fee	Other	Bank Deposits Tax	Total
2009-2010	\$582,114	\$1,469,286	\$224,179	\$ 42,513	\$ 33,003	\$ 2,351,095
2010-2011	590,355	1,542,323	182,584	36,972	36,931	2,389,165
2011-2012	578,885	1,608,387	270,185	42,186	40,580	2,540,223
2012-2013	589,578	1,657,512	293,377	39,355	41,897	2,621,719
2013-2014	603,611	1,607,965	285,561	44,404	44,198	2,585,739
2014-2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975
2015-2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132
2016-2017	654,192	1,809,737	349,743	64,949	34,779	2,913,400
2017-2018	657,437	1,806,331	432,400	51,267	34,850	2,982,285
2018-2019	683,599	2,098,661	363,823	55,925	38,243	3,240,251

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 until December 31st, 2018, then on January 1st, 2019 the rate changed to 1.15% of total payroll of all persons working in the City and up to the FICA cap maximum of \$132,900.

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS</p>
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Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Real Property Tax	Total Taxable Assessed Value	Total Direct Rate
2009-2010	\$ 472,415,708	\$ -	\$ 61,450,643	\$ 410,965,065	14.55%
2010-2011	462,884,083	-	67,344,643	395,539,440	15.20%
2011-2012	464,245,283	-	68,371,543	395,873,740	15.20%
2012-2013	470,174,042	-	70,333,302	399,840,740	15.45%
2013-2014	474,272,642	-	71,195,902	403,076,740	15.70%
2014-2015	472,945,842	-	71,555,902	401,389,940	16.00%
2015-2016	476,663,228	-	72,269,602	404,393,626	16.10%
2016-2017	498,027,602	-	78,705,002	419,322,600	16.00%
2017-2018	507,215,502	-	84,627,602	422,587,900	16.00%
2018-2019	510,103,502	-	85,428,002	424,675,500	16.50%

Source: Kenton County PVA

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

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

Fiscal Year	City of Crestview Hills	Overlapping Rates			Total Direct and Overlapping Rates
		Kenton County	School District	Other	
2009-2010	\$ 0.1455	\$ 0.1480	\$ 0.5580	\$ 0.1650	\$ 1.0165
2010-2011	0.1520	0.1480	0.5570	0.1740	1.0310
2011-2012	0.1520	0.1480	0.5570	0.1720	1.0290
2012-2013	0.1545	0.1480	0.5570	0.1720	1.0315
2013-2014	0.1570	0.1480	0.5770	0.1713	1.0533
2014-2015	0.1600	0.1480	0.5910	0.1713	1.0703
2015-2016	0.1610	0.1480	0.6090	0.1713	1.0893
2016-2017	0.1600	0.1480	0.6210	0.1715	1.1005
2017-2018	0.1600	0.1480	0.6380	0.1719	1.1179
2018-2019	0.1650	0.1550	0.6590	0.1758	1.1548

(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	2018-2019			2009-2010		
	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	7.76%			
Grandview Summit	20,736,000	2	4.85%			
Higbee Company	11,555,000	3	2.70%			
CP Crestview Hills, LLC	8,859,500	4	2.07%			
Broadstone TSGA Kentucky, LLC	7,755,000	5	1.82%			
Northern KY Racquet Club, Inc.	6,580,800	6	1.54%			
CMK Crestview Hills LLC	5,700,000	7	1.33%			
Atria Summit Hills, LLC	5,076,000	8	1.19%			
Summit Hills Country Club, Inc.	4,843,000	9	1.13%			
Chapel Place D, LLC	4,500,000	10	1.05%			
Total	\$ 108,764,300		25.44%			
Crestview Hills Towne Center				\$ 31,693,380	1	8.02%
Columbia Sussex				12,000,000	2	3.04%
Grandview Summit Apartments				12,000,000	2	3.04%
Higbee Company				11,555,000	3	2.92%
Northern KY Racquet Club, Inc.				6,580,800	4	1.67%
Atria Summit Hills, LLC				5,076,000	5	1.28%
Chapel Place D, LLC				4,500,000	6	1.14%
Thomas More Hemmer II LTD				4,400,000	7	1.11%
Summit Hills Country Club				4,391,100	8	1.11%
Thomas More Hemmer LTD				3,937,500	9	1.00%
Thomas More Hemmer IV LTD				3,937,500	9	1.00%
Crestview Hills Bank				3,930,000	10	0.99%
Total				\$ 104,001,280		26.32%

Source: Kenton County PVA

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Collections	Total Collections at End of Fiscal Year	
					Amount	Percentage of Levy
2009-2010	\$ 597,713	\$ 590,730	99%	\$ 5,567	\$ 596,297	100%
2010-2011	584,788	583,275	100%	1,513	584,788	100%
2011-2012	576,994	576,737	100%	-	576,737	100%
2012-2013	593,309	579,300	98%	14,010	593,310	100%
2013-2014	603,611	599,810	99%	-	599,810	99%
2014-2015	642,224	623,164	97%	727	623,891	97%
2015-2016	679,236	674,521	99%	3,426	677,947	100%
2016-2017	653,192	651,870	100%	1,322	653,192	100%
2017-2018	682,594	664,739	97%	16,883	681,622	100%
2018-2019	709,105	631,721	89%	76,440	708,160	100%

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			
2009-2010	\$ 2,155,000	\$ -	\$ 2,155,000	\$ 565	0.01%
2010-2011	2,045,000	-	2,045,000	536	0.01%
2011-2012	1,930,000	-	1,930,000	609	0.01%
2012-2013	1,810,000	-	1,810,000	575	0.01%
2013-2014	1,685,000	-	1,685,000	533	0.01%
2014-2015	1,560,000	-	1,560,000	496	0.01%
2015-2016	-	-	-	-	-
2016-2017	-	-	-	-	-
2017-2018	-	-	-	-	-
2018-2019	-	-	-	-	-

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

CITY OF CRESTVIEW HILLS, KENTUCKY RATIOS OF GENERAL BONDED DEBT OUTSTANDING Last Ten Fiscal Years
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Governmental Activities

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
2009-2010	\$ 2,155,000	\$ -	\$ 2,155,000	0.46%	\$ 565
2010-2011	2,045,000	-	2,045,000	0.44%	536
2011-2012	1,930,000	-	1,930,000	0.41%	609
2012-2013	1,810,000	-	1,810,000	0.38%	575
2013-2014	1,685,000	-	1,685,000	0.42%	533
2014-2015	1,560,000	-	1,560,000	0.39%	496
2015-2016	-	-	-	-	-
2016-2017	-	-	-	-	-
2017-2018	-	-	-	-	-
2018-2019	-	-	-	-	-

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
For the Year Ended June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable⁽¹⁾	Estimated Share of Overlapping Debt
Kenton County (2)	\$ 100,001,332	3.55%	\$ 3,554,566
Kenton County School District (3)	179,723,100	5.62%	10,104,228
Other Kenton County Governments (4)	10,482,428	3.55%	372,600
Subtotal, overlapping debt	<u>290,206,860</u>		<u>14,031,394</u>
City of Crestview Hills direct debt	<u>-</u>		<u>-</u>
Total direct and overlapping debt	<u><u>\$ 290,206,860</u></u>		<u><u>\$ 14,031,394</u></u>

Source: Kentucky local Debt Report

⁽¹⁾ Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Crestview Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

⁽²⁾ Kenton County Treasurer's office

⁽³⁾ Kenton County School District Treasurer's office

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

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

Legal Debt Margin Calculation for Fiscal Year 2018-2019

Assessed value	\$ 424,798,500
Add back: exempt real property	85,428,002
Total assessed value	<u>\$ 510,226,502</u>
Debt limit (10% of total taxable assessed value)	<u>\$ 51,022,650</u>
Debt applicable to limit:	
General obligation bonds	-
Less: amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 51,022,650</u>

	Fiscal Year									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Debt limit	\$ 46,087,651	\$ 47,241,571	\$ 46,424,528	\$ 47,017,404	\$ 47,427,264	\$ 47,294,854	\$ 47,666,323	\$ 49,802,760	\$ 50,721,550	\$ 51,022,650
Total debt applicable to limit	2,155,000	2,045,000	1,930,000	1,810,000	1,685,000	1,560,000	-	-	-	-
Legal debt margin	\$ 45,086,571	\$ 44,379,528	\$ 45,087,404	\$ 45,617,264	\$ 45,609,584	\$ 45,734,854	\$ 47,666,323	\$ 49,802,760	\$ 50,721,550	\$ 51,022,650
Total net debt applicable to the limit as a percentage of debt limit	4.78%	4.61%	4.28%	3.97%	3.69%	3.41%	0.00%	0.00%	0.00%	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

Fiscal Year	<u>Kenton County</u>		<u>Crestview Hills</u>		<u>Kenton County</u> Unemployment Rate(4)
	<u>Crestview Hills</u> Population(1)	Per Capita Personal Income(2)	Median Household Income(3)	<u>Crestview Hills</u> Median Age(3)	
2009-2010	3,132	\$42,599	\$59,848	36.4	9.5%
2010-2011	3,154	\$43,774	\$63,250	41.0	8.9%
2011-2012	3,194	\$43,630	\$65,859	45.4	7.5%
2012-2013	3,226	\$44,615	\$65,608	45.5	7.1%
2013-2014	3,230	\$48,254	\$74,375	45.0	5.5%
2014-2015	3,258	\$50,550	\$71,976	47.5	4.5%
2015-2016	3,277	\$53,144	\$68,186	47.4	4.1%
2016-2017	3,346	\$55,214	\$71,696	48.1	4.2%
2017-2018	3,280	\$56,870*	\$73,847*	48.4*	3.6%
2018-2019	3,300*	\$58,576*	\$76,062*	48.7*	4.1%

(1) U.S. Census Bureau - American Fact Finder "2018 Population Estimate (as of July 1, 2018)"

(2) Bureau of Economic Analysis (Kenton County data) "Estimates for 2010-2017 reflect county population estimates available as of March 2018"

(3) U.S. Census Bureau - American Fact Finder "2013-2017 American Community Survey 5-Year Estimates"

(4) U.S. Bureau of Labor Statistics (Kenton County data only)

* Internal Estimates made by City Administration

CITY OF CRESTVIEW HILLS, KENTUCKY

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

2018-2019			2009-2010		
Taxpayer	Rank	Percentage of Total City Employment	Taxpayer	Rank	Percentage of Total City Employment
St. Elizabeth Medical Center	1	13.97%	Thomas More College	1	6.7%
St. Elizabeth Physicians	2	12.75%	Diocese of Covington	2	6.1%
Greensky, LLC	3	7.01%	Fischer Management Inc	3	3.9%
Thomas More University	4	5.61%	Columbia Sussex Corp	4	3.8%
Dresssman, Benzinger, & Lavelle, PSC	5	2.93%	St. Elizabeth Physicians	5	3.5%
Tri State Gastroenterology Associates	6	2.86%	The Bank of Kentucky Inc	6	2.8%
Columbia Sussex Management, LLC	7	2.81%	Higbee Company	7	2.7%
Higbee Gak LP	8	2.21%	Children's Hospital Medical Center	8	2.6%
Children's Hospital Medical Center	9	2.15%	Dresssman, Benzinger, & Lavelle, PSC	9	2.3%
Tri State Center for Sight Inc	10	2.13%	Oncology/Hematology Care Inc	10	1.9%
TOTAL		54.43%	TOTAL		36.3%

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

Function/Program	Fiscal Year									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Government	3	3	3	2	2	3	3	3	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									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Public safety										
Police:										
Stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	-	-	-	-	-	-	-	-	-	-
Highways and streets										
Street (miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	73	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 and each major fund of the City of Crestview Hills, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Crestview Hills, Kentucky's basic financial statements and have issued our report thereon dated October 28, 2019. 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 the 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*.

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 28, 2019

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