

CITY OF CRESTVIEW HILLS, KENTUCKY



For the Fiscal Year Ended June 30th, 2023



ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF CRESTVIEW HILLS, KENTUCKY

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Year Ended June 30, 2023

Prepared by:

**Finance Department
City of Crestview Hills, KY**

CITY OF CRESTVIEW HILLS, KENTUCKY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

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CITY OF CRESTVIEW HILLS

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Website: www.crestviewhills.com

October 18, 2023

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

Kentucky 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, the City of Crestview Hills, Kentucky hereby issues its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Crestview Hills management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Chamberlin Owen & Company, Inc., Certified Public Accountants, have issued an unmodified opinion (commonly known as a "clean audit") on the City of Crestview Hills' financial statements for the year ended June 30, 2023. 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 range of services including public works, engineering, maintenance of dedicated streets and right-of-ways, recreational activities, zoning administration, police protection, planning and general administrative functions. Contracted services include fire protection, basic and advanced emergency medical service, occupational license tax collection, city-wide landscaping maintenance and right-of-way plantings, animal control services, building and zoning permitting, 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 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.

PAUL W. MEIER, MAYOR

mayor@crestviewhills.com

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Alex Mattingly
City Administrator
amattingly@crestviewhills.com

T.J. Holtman
Finance Officer/Treasurer
tjholtman@crestviewhills.com

John Scheben, Jr.
Public Works Director
jscheben@crestviewhills.com

Stacy Corwin
City Clerk
scorwin@crestviewhills.com

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 3,246 (2020 Decennial Census - U.S. Census Bureau) 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. General, Capital Projects, and Special Revenue), and department (i.e. General Government, Public Works, and Public Safety) 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 approximately seven miles south of downtown Cincinnati. The City is known for its residential and commercial diversity including single-family residential homes and condominiums, an active lifestyle retail center, a large business and medical office park, a four-year university (Thomas More University), a country club, and a high-end fitness club. 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 allows the City to operate.

The development of the Thomas More Office Park area along Thomas More Parkway during the last three decades has been a key piece of the City's economy. The Office 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 Office Park houses professional offices, specialty physicians, mental health counselors, attorneys, a fitness club, 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 in the adjacent City of Edgewood has contributed to the large concentration of healthcare related offices in the City.

The Northern Kentucky economy, along with the entire state and country, continues to endure fiscal challenges due to the highest level on inflation to hit the United States of America in decades. The high inflation rates, coupled with labor shortages, and continued supply chain issues has created larger than normal cost increases in all business sectors in the region, state, and country. Fortunately, the City's primary revenue sources, payroll, and occupational license taxes, have been sustained during this difficult economic season. The Annual Returns tax revenue stream fluctuates from year to year, but the City recently switched to the Gross Receipts taxation model to ensure a more fair and equal system for all businesses to contribute to the efficient operations of the City of Crestview Hills. FY 2022-2023, the annual returns

(net profits/gross receipts) tax revenue increased slightly more than 6% from the prior year. The City's primary retail center continues to perform well overall and has added several tenants.

The City continues to explore additional office space on undeveloped lots, though the market for office space is very soft in the Cincinnati/Northern Kentucky area. The City has several important initiatives, including developing targeted economic development incentives. We also continue to work with the Regional Economic Development Initiative (REDI) Cincinnati and the Northern Kentucky Tri-County Economic Development Corporation (now called BE NKY) in identifying and recruiting new businesses to the Office Park. The City is experiencing a very competitive environment for recruitment of new jobs and retaining existing ones, but has seen some recent success.

Despite the strenuous economic conditions revolving around growing costs and high inflation, the City's key revenue sources were strong compared to the past fiscal year. The City added \$106,701 to the fund balance for FY 2022-2023. The key drivers to the significant addition to the City's fund balance was due to a large increase to its investment income due to higher rates of interest on the certificate of deposits portfolio, and the City expended or secured bids and/or contracts on capital projects that were transferred from the General Fund to the Capital Projects Fund and were originally planned to be completed or started in FY 2021-2022, offset against the large change in fund balance from the prior fiscal year. In addition, expenditures were much less than planned because several capital projects started in FY 2022-2023 but will not be completed until FY 2023-2024. These projects include the Thomas More Parkway crosswalk installation, street improvements on Shinkle Road (from Crown Point to Secretariat), and Vernon Drive, the Horsebranch Road Emergency Stabilization Project, and the City-wide streetlight LED conversion project. These capital projects are currently in a "construction in progress" status. Consequently, total revenue was slightly better than budget by \$3,000 or 100% to budget, and total expenditures were less than budget by almost \$700,000 or 87% FY 2022-2023.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts remained strong and increased from 647 accounts to 657 accounts in FY 2022-2023. Again, for the latest fiscal year, the City registered over 5,000 non-domiciled businesses, everything from construction companies to home service businesses.

The residential real estate market had some growth rate over the past year, but national economists are predicting a slowdown in home sales due to high interest rates. Although home prices have dramatically increased in other areas of Crestview Hills, the City foresees the same trend as the national economists with expected slower home sales due to the high interest rates. The final residentially zoned property development in the City, Crown Point, opened in 2016. The initial 42 building lots within the neighborhood have homes ranging in value from the mid \$600,000s to more than \$1 million. The builders of the Crown Point subdivision are continuing to market that neighborhood with plans to build single family homes into 2024. With that said, there was 1 new home built within the Crown Point subdivision, as well as continued renovations taking place within the residential properties and one major reassessment addition to one of the developments in the Crown Point community. However, there were some significant reassessment reductions within the City's commercial properties. On that note, the housing market continues to be healthy within Crestview Hills. Overall, the commercial real estate in Northern Kentucky has also been robust; however, because most of the land in Crestview Hills has been developed it is unlikely to see substantial new commercial real estate growth, 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 personnel expenses in coming years, particularly in light of inflation and increased pension contribution levels for local governments.

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 eight 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 the street resurfacing project on Summit Drive and Shinkle Road in FY 2022-2023. The City still has several projects that started in FY 2021-2022, but are still in a "construction in progress" status at the end of FY 2022-2023, including the new HVAC system at the City building and completion of Phase II of the Centre View Park. In addition, there were five (5) capital projects that were started in FY 2022-2023 but will not be completed until FY 2023-2024, which include the Thomas More Parkway crosswalk installation, street improvements on Shinkle Road (from Crown Point to Secretariat), and Vernon Drive, the Horsebranch Road Emergency Stabilization Project, and the City-wide streetlight LED conversion project. These projects continue to serve as a testimony to the City's commitment to the reinvestment into the reconstruction of streets and infrastructure maintenance.

The City has several cost drivers to consider for future budget cycles. Public safety costs will continue to rise, and although the City contracts out those services or relies on a joint police authority with the City of Lakeside Park, the underlying increases in personnel (competitive salaries, pensions, health insurance, etc.) will continue to affect future City costs. The Kentucky Legislature adopted in May 2018 made 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. The State Legislature froze the original 12% per year increase in FY 2020-2021, but the 12% per year increase resumed in FY 2021-2022 and going forward. Nonetheless, the City will primarily be focusing its attention on the surge in costs due to high inflation. The country may enter another recessionary period (or at least a period of increased price inflation), and while tension and concerns escalate around this issue, the City of Crestview Hills remains stable and is closely monitoring key economic indicators to maneuver through these challenging times.

The City's attention to proper infrastructure investment has been a key initiative for many years. The City Council has always prioritized the maintenance of infrastructure to support our residential and business base. The City conducted a study of the existing infrastructure in FY 2020-2021 to determine the proper long-term plan to continue to improve and maintain the City's infrastructure initiatives, which is in the process of being updated to take into account current economic conditions.

On the revenue side, while the City is blessed with a diverse and stable tax base, there are still concerns focused on the mixed economic indicators, especially historically high inflation and mortgage interest rates. With that said, there is still high demand for therapeutic medical services and the City has a strong medical footprint in the Greater Cincinnati region. The City's tax base remains heavily reliant upon the medical community in the Thomas More Office Park, and this business sector is thriving. The medical industry has been undergoing significant changes over the past ten years, including changes to reimbursement formulas with the Affordable Care Act, and the new COVID-19 health guidelines and restrictions, and consolidation of medical practices. These changes continue to push independent practices to combine with large medical center systems and have moved several of the City's specialty medical practices closer to the St. Elizabeth 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, the retail and restaurant landscape, especially restaurants, have adapted well and fully recovered from the COVID-19 pandemic. The shopping center district will more than likely continue to evolve, change and grow in response to rising costs due to high inflation. The City will be 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. A mixed-use zone has been created in the City's zoning ordinance in anticipation of this effort. The owners are also exploring other business types that will better complement the existing retailers and restaurants, as well as development of housing units to create a more robust economic environment.

For the tax year 2022, the City Council approved the compensating rate plus an additional 4%. This tax rate produced \$790,190 in property tax revenue. The 4% increase was adopted to keep in line with inflationary rates, as well as continuing to assist with the increased costs associated with the contracts for Police, Fire and EMS services. The City's Fire and Emergency Services contracts with Fort Mitchell and Edgewood rose slightly by 1% combined, down from a 6.5% increase from the prior fiscal year. The costs related to the contracts for Fire and EMS services will continue

to be a source of concern for the City in regard to controlling costs. The new contract terms kicked in effective April 1, 2023, with the enactment of the annual 4% increase every April 1. In addition, the Police Authority increased by a little more than 6%. The key factor to the increase is attributable to inflation and cost of living adjustments made to salaries and wages for the Police Authority officers and staff. In turn, the new tax rate increase was implemented, in part, to aid with the annual cost increases in payroll, benefits, and general operating costs attributable to inflation (utilities, goods and services, etc.). The property tax rate that was approved and levied FY 2023-2024 is .165 per \$100 of assessed value, which equates to the compensating rate plus 0%. The City had increases in assessed value of 2 residential properties, as well as 1 new home construction completion, which created \$1,193,000 in additions. There were reductions in assessed value on 1 residential and 4 commercial properties, which resulted in \$5,689,000 in lower valuations. The net effect was a decrease in total new property valuations of \$4,496,000. Homestead Exemptions (owners 65 years of age and older) increased by one, with a total of 441 properties (37.53% of total residential properties) now receiving the exemption in 2023. Another 5 properties receive the disability exemption, as well.

Finally, in March 2021 the Federal government signed into law the American Rescue Plan Act of 2021 (ARPA), which was established to provide financial relief to several entities (individuals, as well as public & private sector organizations) impacted by the health and economic crisis created by the COVID-19 pandemic. The City of Crestview Hills received two (2) tranches, plus a supplemental amount of ARPA funds, totaling \$880,828 in FY 2021-2022. The first tranche was received in July 2021, while the second tranche was received in June 2022. Also, the City received supplementary ARPA funds in the amount of \$1,292 in April 2022. The City recognized the first tranche of funds in the amount of \$432,850 after filing its first compliance reporting in April 2022. The City recognized the supplementary and second tranche of funds in the amount of \$447,978 after filing its second compliance report with the United States Treasury Department in April 2023. The City elected to use the standard allowance option to identify revenue loss due to the COVID-19 public health emergency, and the ARPA funds received by the City were designated to offset the City's portion of expenses for public safety employees expended during the pandemic.

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, 2023, 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. These controls include monitoring department(s) expenditures with the intent of remaining at or under the approved budget parameters. If a department exceeds its budgetary constraints, then a budget amendment is presented to City Council for acceptance/approval of the proposed amendment. As an additional layer of oversight, the Finance Committee chairperson (who is also a CPA) performs a monthly review and audit of the internal financial statements. 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, Capital Projects, and Special Revenue Funds are included in the annual appropriated budget. The adopted budget for fiscal year 2022-2023 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, United States Treasury Notes and Bonds, and an interest-bearing cash sweep account, which are consistent with the direction 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 rates of return. Accordingly, deposits were either insured by Federal Depository Insurance Corporation (FDIC) and/or collateralized.

The City's insurance carrier, Kentucky League of Cities Insurance Services (KLCIS), 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. KLCIS 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 also with KLCIS.

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 annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty second 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 annual comprehensive 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 City's finance staff and appreciation is expressed to those who assisted and contributed to 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 and for being good stewards of public resources.

Respectfully submitted,

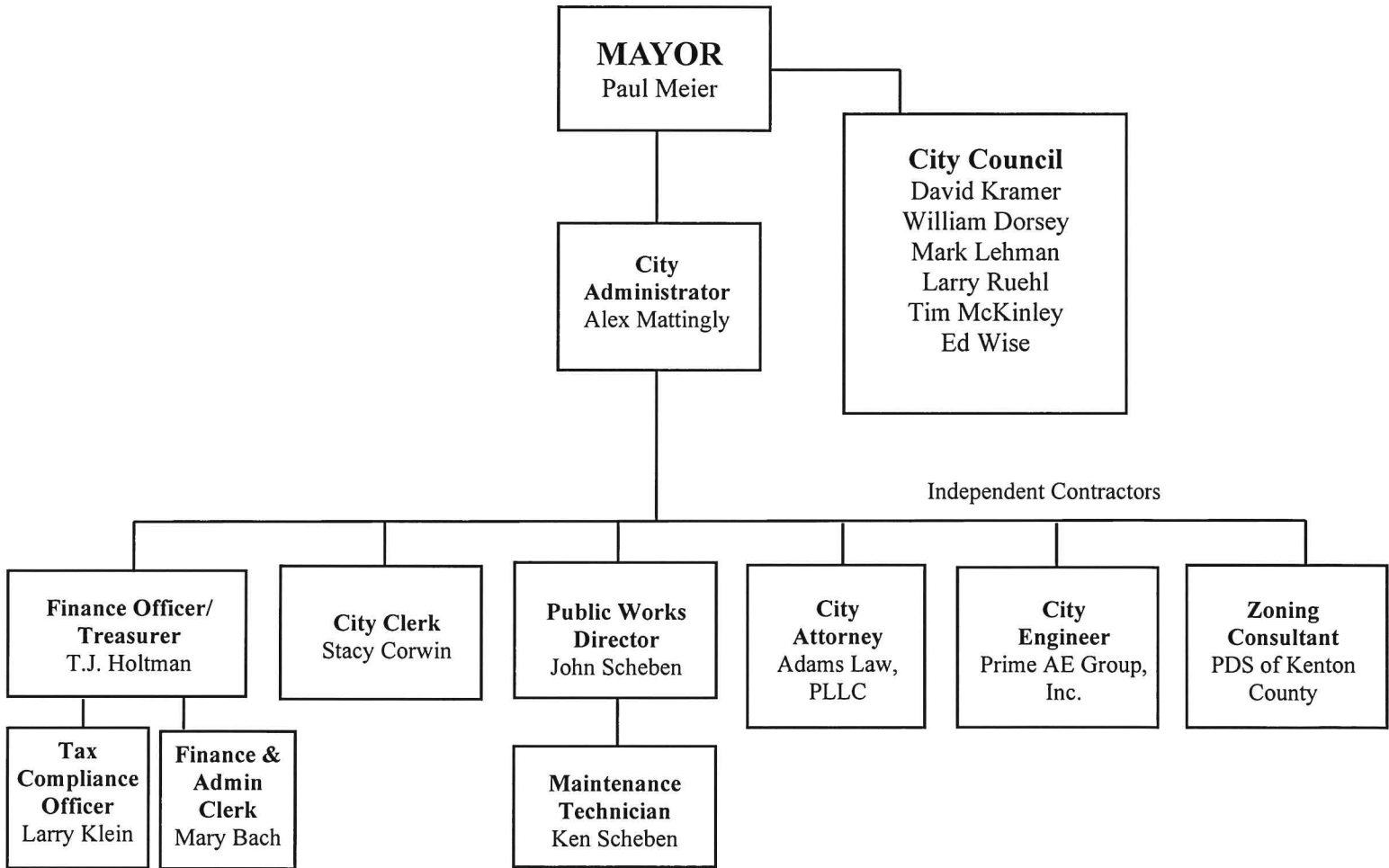


T. Alex Mattingly
City Administrator



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, 2023

Mayor – Council Form of Government

City Council

Paul W. Meier
Mayor

David Kramer
Vice Mayor

William Dorsey
Councilmember

Tim McKinley
Councilmember

Mark Lehman
Councilmember

Ed Wise
Councilmember

Larry Ruehl
Councilmember

City Administration

Alex Mattingly

City Administrator

T.J. Holtman

Finance Officer/Treasurer

Larry Klein

Tax Compliance Officer

Stacy Corwin

City Clerk

Mary Bach

Finance & Administrative Clerk

John Scheben

Public Works Director

Planning & Development

Services of Kenton County

Building Inspector

Planning & Development

Services of Kenton County

Zoning Consultant

Mike Yeager, Prime AE Group, Inc.

City Engineer

Mary Ann Stewart, Adams Law PLLC

City Attorney



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Crestview Hills
Kentucky**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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 of the
City of Crestview Hills, Kentucky**

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Crestview Hills, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky as of June 30, 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Crestview Hills, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crestview Hills, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Crestview Hills, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crestview Hills, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crestview Hills, Kentucky's basic financial statements. The wayfinding signage fund budgetary comparison schedule is presented for purposes of additional analysis and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the wayfinding signage fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of the City of Crestview Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Crestview Hills, Kentucky's 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

October 18, 2023

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

For the Year Ended June 30, 2023

As appointed management of the City of Crestview Hills, Kentucky (“City”), 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, 2023. 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 on the City as a Whole:

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$9,547,578 (net position). Of this amount, \$3,957,515 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- The City’s total net position increased \$684,695 this year.
- As of June 30, 2023, the City’s governmental funds reported a combined ending fund balance of \$4,720,315, an increase of \$106,701 in comparison to the prior year.
- At the end of fiscal year 2022-2023, unassigned fund balance for the general fund was \$4,717,361 an increase of \$124,524 in comparison to the prior fiscal year 2021-2022.
- Compensated absences increased from \$11,898 to \$15,312 during the fiscal year.
- The City’s Net Pension liability increased by \$132,178, from \$527,469 to \$659,647 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 Other Post-Employment Benefits (OPEB) increased by \$144,134, from \$(51,912) to \$92,222 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/occupational license fees, franchise fees, property taxes, and net profits/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 funds 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, the Capital Projects Fund, and the Wayfinding Signage 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 – 49 of this report.

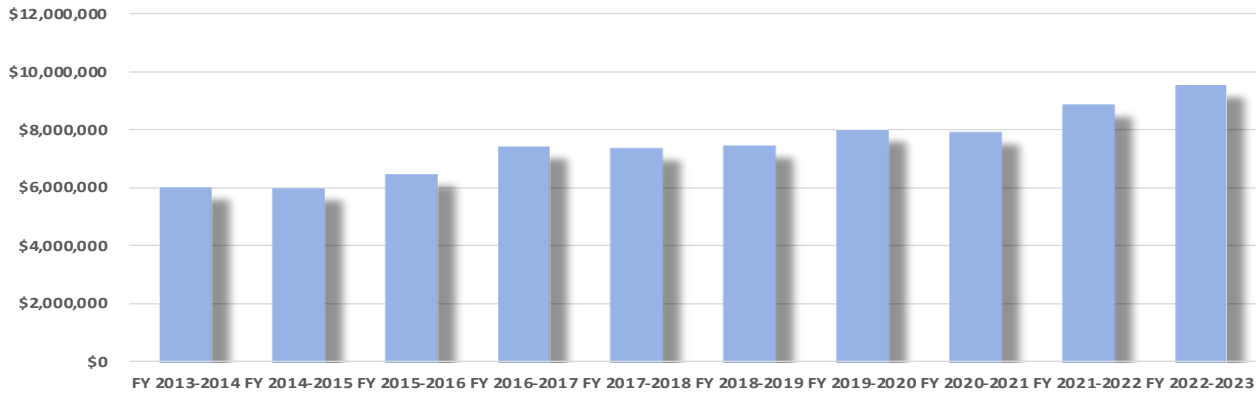
Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, general fund – budget to actual comparison and pension disclosures, on pages 51-53 and other supplementary information, capital projects and signage funds – budget to actual, on pages 54-55.

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, 2023 and 2022, net position was stated as follows:

	Governmental Activities	
	<u>2022-2023</u>	<u>2021-2022</u>
Current assets	\$5,865,093	\$5,572,304
Capital assets	<u>5,590,063</u>	<u>4,998,892</u>
Total assets	11,455,156	10,571,196
Deferred outflow of resources		
Deferred outflows related to pensions and OPEB - CERS	<u>210,053</u>	<u>177,896</u>
Total assets and deferred outflows	<u>11,665,209</u>	<u>10,749,092</u>
Long-term liabilities	839,710	685,813
Other liabilities	<u>1,160,090</u>	<u>970,588</u>
Total liabilities	1,999,800	1,656,401
Deferred inflow related to pensions and OPEB - CERS	<u>117,831</u>	<u>229,808</u>
Total liabilities and deferred inflows	<u>2,117,631</u>	<u>1,886,209</u>
Net investment in capital assets	5,590,063	4,998,892
Unrestricted	<u>3,957,515</u>	<u>3,863,991</u>
Total net position	<u>\$9,547,578</u>	<u>\$8,862,883</u>

**Change in Position of Net Assets
FY 2014 - FY 2023**



There was an increase of \$684,695 from last year to \$9,547,578 in the City’s net position for governmental activities. Cash increased \$200,040 from FY 2021-2022 while capital assets increased \$591,171 because of continued investments in infrastructure projects and additional enhancements to the City park, as well as the acquisition of new Public Works equipment and the purchase of a new accounting software. Current liabilities increased by \$189,502 and long-term liabilities increased by \$153,897 due primarily to increases in the City’s unfunded net pension and other post-employment benefits (OPEB) liability with the Kentucky Public Pensions Authority, coupled with an increase in accrued costs on capital projects started in FY 2022-2023 but to be completed in FY 2023-2024. Furthermore, the City recognized its second tranche of American Rescue Plan Act (ARPA) funding received in June 2022 after filing its second compliance report with the United States Treasury department in April 2023. The ARPA funds were used to offset the City’s public safety costs.

Governmental Activities

Governmental activities increased the net position of the City of Crestview Hills by \$684,695 during FY 2022-2023 as summarized on the following chart:

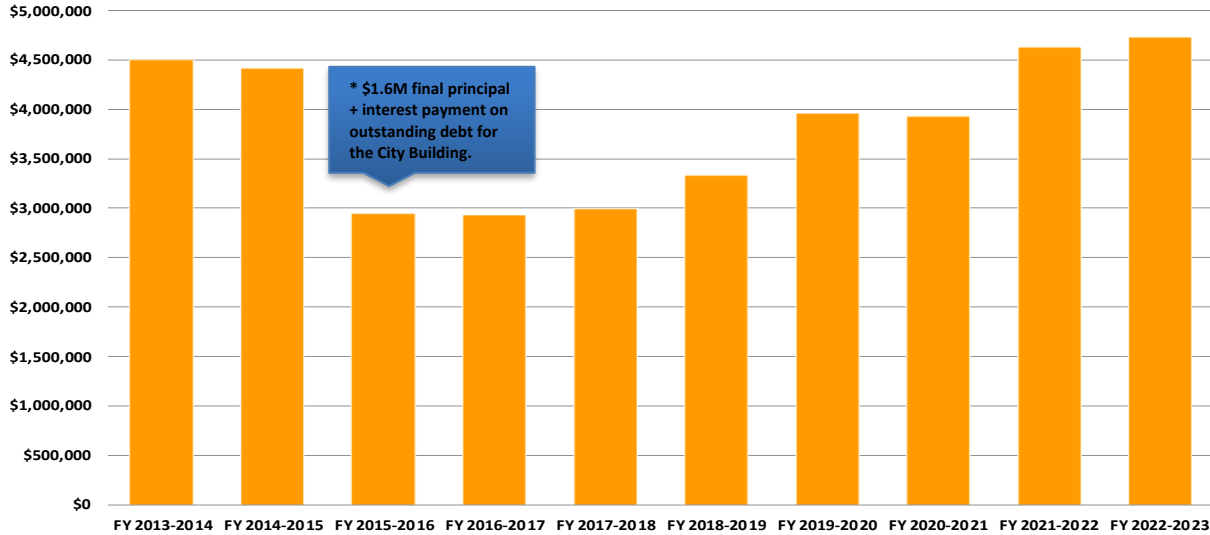
**Changes in Net Position
Governmental Activities**

	<u>2022-2023</u>	<u>2021-2022</u>
Revenues:		
Program revenues:		
Charges for services	\$193,592	\$175,359
Operating grants and contributions	447,978	457,281
Capital grants and contributions	115,761	189,113
General revenues:		
Property taxes	790,190	754,552
Payroll license fees	2,299,393	2,321,651
Net profit license tax	403,078	379,380
Other taxes, licenses, fees	373,611	358,580
Interest	89,183	18,273
Other	<u>18,421</u>	<u>7,365</u>
Total Revenues	<u>4,731,207</u>	<u>4,661,554</u>

Expenses:		
General Government	\$803,985	\$559,736
Public Safety	2,138,637	2,041,683
Public Works	976,707	1,033,768
Community Services	<u>131,095</u>	<u>80,594</u>
Total Expenses	<u>4,050,424</u>	<u>3,715,781</u>
Change in net position	680,783	945,773
Net Position – Beginning	8,862,883	7,917,110
Prior Period Adjustments	<u>3,912</u>	<u>0</u>
Net Position - End of Year	<u>\$9,547,578</u>	<u>\$8,862,883</u>

- Revenues for the City’s governmental activities totaled \$4,731,207, compared to \$4,661,554 last year.
- Payroll license fees totaled \$2,299,393 or slightly below 50% of the total revenues. This was a decrease from last year by \$22,258 or down by nearly 1%. The City’s payroll tax revenue sources flattened and have returned to pre-pandemic levels.
- The second largest recurring revenue was property taxes, which accounted for \$790,190, an increase of 4.7% over FY 2021-2022. This increase was directly attributable to the property tax rate increase from .162/\$100 assessed value to .167/\$100 assessed value. This rate reflects the 4% increase over the compensating rate, which was approved by the Mayor and City Council with the intent of offsetting increasing public safety costs and inflationary costs in general.
- This year total expenses for the City’s governmental activities were \$4,050,424 compared to \$3,715,781 last year. Costs related to the police authority and the contracts for Fire and EMS services continue to remain a factor to increased costs to the City. The service rates under the contract terms FY 2022-2023 were the same as FY 2021-2022 through March 31, 2023. The new contract terms kicked in effective April 1, 2023, with the enactment of the annual 4% increase every April 1. FY 2022-2023, total expenses increased by \$330,893 or 8.9%. The primary source of this decrease resides within the General Government department, whereas a major capital improvement project to the City building still has not been completed from FY 2021-2022 and the project is still in a construction-in-progress status. In any event, 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.

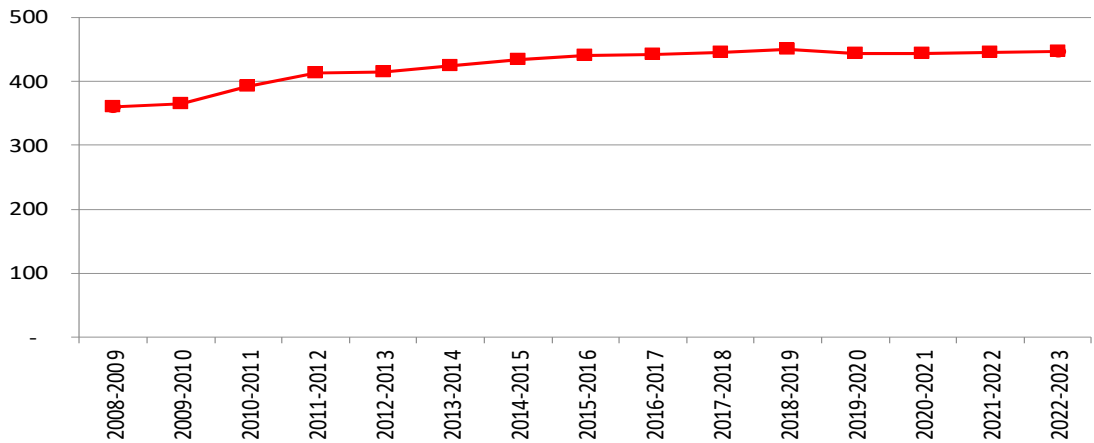
City Fund Balances



Governmental Activities: Revenues

Property tax rates were raised to .167 cents per hundred for the 2022 tax year. Rates increased to help offset the continued rise in public safety costs. The key component to the increase in the property tax revenue over FY 2021-2022, was that the Mayor and Council approved the increase of 4% over the compensating rate. The City’s Homestead & Disability Exemptions rose slightly to 447 properties receiving the exemptions in FY 2022-2023. Kentucky law allows property owners who are 65 or older to receive a homestead exemption. For tax year 2023 the homestead exemption is \$46,350. The amount of the exemption is subtracted from the assessed value of the property.

Total Properties with Homestead & Disability Exemptions



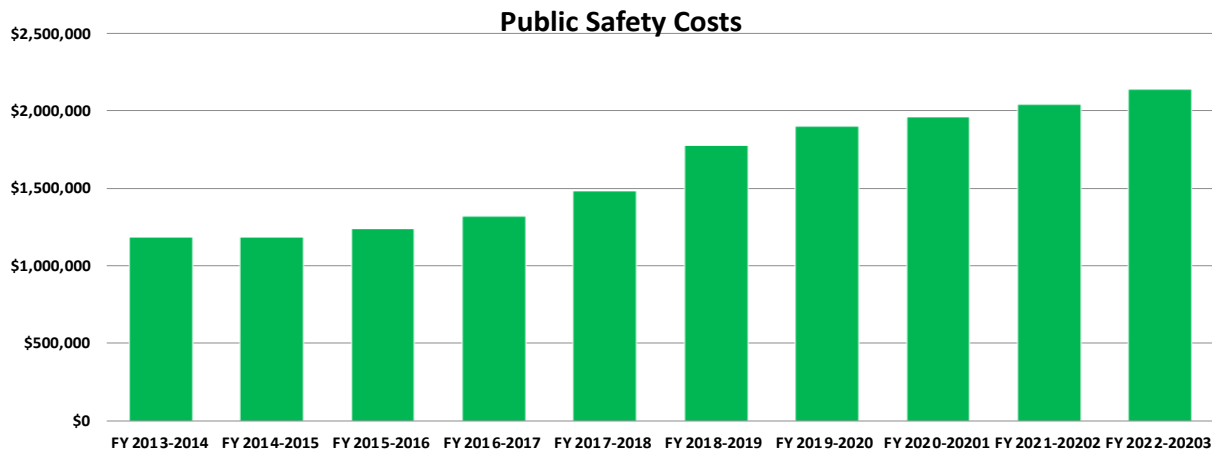
Governmental Activities: Expenses

General Government expenses increased in FY 2022-2023 by \$244,249, or up by 43.6% from the prior fiscal year. FY 2022-2023, the City’s General Government department still had a major capital improvement project to the City building being worked on during the fiscal year, which was originally planned FY 2021-2022 but was delayed due to supply chain issues. This project, replacement of the HVAC system, is still in a construction-in-progress status and is scheduled to be completed during the 2023-2024 fiscal year.

Total Community Development costs increased by over \$50,000 from the prior year. The increase is due to increased lawn care/landscaping costs and rising expenses associated with the City’s recreational programs, specifically increases involving the annual summer concert. These elevated expenditures are a direct result of the inflationary economic conditions affecting most sectors of the United States.

The costs of the City’s Public Works division decreased by \$57,061 over FY 2021-2022. 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 decrease in Public Works expenditures is because of several capital projects that were started in FY 2022-2023 but will not be completed until FY 2023-2024. Those projects include the Thomas More Parkway crosswalk installation, street improvements on Shinkle Road (from Crown Point to Secretariat), and Vernon Drive, the Horsebranch Road Emergency Stabilization Project, and the City-wide streetlight LED conversion project.

Lastly, Public Safety increased by \$96,954 or 4.7% over FY 2021-2022. This is attributable to the rising Police Authority funding costs created by increasing pension and personnel costs, as well as the annual cost increases built into the contracts for Fire and EMS services. The City contracts with the cities of Ft. Mitchell and Edgewood for fire and EMS services – both cities had a small increase to Crestview Hills by 1% (Ft. Mitchell 1% & Edgewood 1%) combined. The new contract terms kicked in effective April 1, 2023, with the enactment of the annual 4% increase every April 1. In addition, the Police Authority costs increased by 6.4%. The key factor to the increase is attributable to inflation and cost of living adjustments made to salaries and wages for the Police Authority officers and staff.



Total Revenues & Expenses

	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023
Revenues	\$2,744,607	\$2,788,666	\$3,001,451	\$3,713,242	\$3,397,437	\$3,768,136	\$4,114,172	\$3,883,260	\$4,661,554	\$4,731,207
Expenses	\$2,523,407	\$2,512,497	\$2,704,046	\$2,768,877	\$3,385,401	\$3,431,958	\$3,485,784	\$3,919,316	\$3,966,310	\$4,624,506

FINANCIAL ANALYSIS OF THE CITY'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. This information is useful in assessing the City's financial requirements.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,720,315, an increase of \$106,701 from the previous fiscal year. The majority of this total amount, \$4,717,361 is unassigned fund balance, which is available for the City to spend at its discretion. The remaining \$2,954 is designated as non-spendable and is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At year end FY 2022-2023, the unassigned portion of the fund balance in the General Fund was \$4,717,361 while the total fund balance was \$4,720,315. As a good measure of the General Fund's liquidity, it is useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. The unassigned fund balance in the General Fund represents 102.6%, while total fund balance represents 102.7% of that same amount. The fund balance of the City's General Fund increased by \$109,491 over last year. There were two (2) key factors that contributed to the increase to the fund balance FY 2022-2023. First, the City experienced a large increase to its investment income due to higher rates of returns on the certificate of deposits portfolio. Second, the City expended or secured bids and/or contracts on capital projects that were transferred from the General Fund to the Capital Projects Fund and were originally planned to be completed or started in FY 2021-2022, offset against the large change in fund balance from the prior fiscal year. These projects included: completing the Summit Drive & Shinkle Road street resurfacing projects that were originally planned to be completed in FY 2021-2022, Vernon Drive road reconstruction, the City-wide LED streetlight conversion project, completion of Phase II of the Centre View Park, and the installation of the new HVAC system at the City Building.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Expenditures were less than budgeted amounts by \$681,718. The General Government budgeted expenditures were \$834,007 compared to the actual amount of \$703,562. Public Safety budgeted expenditures were \$2,139,175, compared to the actual amount of \$2,138,637. Public Works budgeted expenditures were \$507,758 compared to the actual amount of \$396,588. Excluded from that amount were transfers out of the General Fund to the Special Revenue and Capital Projects Funds of \$1,650,000 budgeted and \$1,230,560 expended. Community Development budgeted expenditures were \$151,220 compared to the actual amount of \$131,095. The primary driver for the reduction in expenditures compared to the City's approved budget is because many of the capital projects final costs were significantly less than expected coupled with cost sharing reimbursements from vendors directly related to the street improvement projects. In general, City administrative staff managed all operating costs well below the approved budget parameters. 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 \$15,312 at the end of the fiscal year. This was an increase of \$3,414 from FY 2021-2022 because the personnel policy changed whereas part-time employees are now eligible to earn vacation time hours along with the full-time staff members.

	Governmental Activities	
	2022-2023	2021-2022
Compensated Absences PTO	\$ 15,312	\$ 11,898
Totals	\$ 11,898	\$ 11,779

Not included in the table above is the \$839,710 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, 2023, the City had \$19,828,343 invested in governmental net capital assets including, buildings, roads and sidewalks. This represents a net increase of \$1,242,241.

	Governmental Activities	
	2022-2023	2021-2022
Land & Construction in Progress	\$1,842,400	\$675,626
Buildings	2,590,889	2,590,889
Improvements/Infrastructure	14,980,469	14,936,797
Parks	77,493	71,024
Equipment	287,042	261,716
Vehicles	<u>50,050</u>	<u>50,050</u>
Subtotals	19,828,343	18,586,102
Accumulated Depreciation	<u>(14,238,280)</u>	<u>(13,587,210)</u>
Net Capital Assets	<u>\$5,590,063</u>	<u>\$4,998,892</u>

Major additions included:

Construction in progress, net of deletions	\$1,166,774
Infrastructure Projects	\$43,673

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 national and local economies, along with many other parts of the world, are faced with rising costs due to the highest inflationary times in over 40 years. The country is experiencing a period of increased price inflation, and while tension and concerns escalate around this issue, the City of Crestview Hills, along with the entire region, state, country and world, remains steadfast and is closely monitoring key economic indicators to maneuver through these challenging times. Fortunately, the City of Crestview Hills received \$1,292 of supplemental ARPA funds in April 2022 along with the second tranche of \$446,687 in late June 2022. The City recognized both sources of ARPA funds in FY 2022-2023 after filing its second compliance report with the United States Treasury department in April 2023.

The economy of the City relies to a great extent on professional or medical offices and retail entities. The City's activities are primarily funded through business/occupational license 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 the FICA cap limit of \$ 160,200 (for 2023) earned within the City limits. Approximately 80% of all City taxes derive from the business and commercial sectors of the City.

Although the aftermath of the COVID-19 pandemic still lingers within the country and world, the City's primary revenue source was able to sustain itself due to the strong medical office community within the City. The City's major employer, St. Elizabeth Healthcare and its associated entities, has a significant footprint of the overall employment map and has continued to grow and thrive throughout the pandemic.

As mentioned previously, the national economy, as well as Northern Kentucky, continue to witness and endure economic uncertainties with high inflationary rates, labor shortages, supply chain issues, and rising costs in general. Fortunately, the City's retail center is nearly fully leased and the overall vacancy rate within the office park is less than surrounding communities. The City continues to be diligent in working with the commercial realtor community 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 Town Center's owner and management to support new businesses and maintain its status as a higher-end, destination shopping location in Northern Kentucky. The Town Center has thrived in the face of changing consumer habits and increased online shopping options. 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 concept in the future, including offices and housing on the site. The owners are also exploring other business types that will better complement the existing retailers and restaurants, as well as development of housing units to create a more robust economic environment.

On the housing front, the City's housing stock remains in high demand. The builders of the new Crown Point subdivision are continuing to market that neighborhood with plans to build single family homes into 2024. And, due to the size and high assessed value of the homes, when completed, this subdivision will add significantly to the City's tax base. Home prices have dramatically increased in other areas of Crestview Hills, but the City foresees somewhat slower home sales due to high interest rates. The City continues to see a generational turnover in the housing community, and as a result the City anticipates some remodels and tear-downs/rebuilds on existing lots in the next ten years as the community remains a sought-after area to live due to location and reputation.

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, although the United States endures challenging economic times, FY 2023-2024 the City Council approved and levied a 0% increase over the compensating rate for property taxes. The Mayor and City Council wanted to send the message to the residents and business community that, when possible, the City would not raise taxes during this tough stretch of economic uncertainty. The City regards these actions to be fair and equitable for the residential and business communities, and in-line with the taxation practices and procedures of neighboring cities in Kenton County.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, businesses, 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.

CITY OF CRESTVIEW HILLS, KENTUCKY STATEMENT OF NET POSITION June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,090,142
Investments	-
Receivables:	
Property taxes	6,006
Accounts	765,991
Other governments	-
Prepaid items	2,954
Capital assets:	
Capital assets not being depreciated	1,842,400
Other capital assets, net	3,747,663
Total assets	<u>11,455,156</u>
Deferred outflows of resources	
Deferred outflows related to pensions and OPEB - CERS	210,053
Total deferred outflows of resources	<u>210,053</u>
Total assets and deferred outflows of resources	<u>11,665,209</u>
Liabilities	
Accounts payable	233,115
Accrued liabilities	911,663
Compensated absences - current	12,250
Unearned revenue	-
Noncurrent liabilities due in more than one year:	
Compensated absences - long term	3,062
Net pension and OPEB liability - CERS	839,710
Total liabilities	<u>1,999,800</u>
Deferred inflows of resources	
Deferred inflows related to pensions and OPEB - CERS	117,831
Total liabilities and deferred inflows of resources	<u>2,117,631</u>
Net position	
Net investment in capital assets	5,590,063
Unrestricted	3,957,515
Total net position	<u><u>9,547,578</u></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, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 803,985	\$ 136,406	\$ -	\$ -	\$ (667,579)
Public safety	2,138,637	-	447,978	-	(1,690,659)
Public works	976,707	25,186	-	115,761	(835,760)
Community development	131,095	32,000	-	-	(99,095)
Total governmental activities	<u>4,050,424</u>	<u>193,592</u>	<u>447,978</u>	<u>115,761</u>	<u>(3,293,093)</u>
Total primary government	<u>\$ 4,050,424</u>	<u>\$ 193,592</u>	<u>\$ 447,978</u>	<u>\$ 115,761</u>	<u>\$ (3,293,093)</u>
General revenues:					
Taxes:					
				\$	790,190
					44,946
					2,299,394
					403,078
					96,228
					232,436
					89,183
					18,421
					<u>3,973,876</u>
					680,783
					8,862,883
					3,912
					<u>\$ 9,547,578</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Wayfinding Signage Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,087,352	\$ -	\$ 2,790	\$ 5,090,142
Investments	-	-	-	-
Receivables:				
Property taxes	6,006	-	-	6,006
Accounts	758,282	-	7,709	765,991
Other governments	-	-	-	-
Due from other funds	10,499	-	-	10,499
Prepays	2,954	-	-	2,954
Total assets	<u>\$ 5,865,093</u>	<u>\$ -</u>	<u>\$ 10,499</u>	<u>\$ 5,875,592</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	233,115	\$ -	\$ -	\$ 233,115
Miscellaneous accruals	911,663	-	-	911,663
Unearned revenues	-	-	-	-
Due to other funds	-	-	10,499	10,499
Total liabilities	<u>1,144,778</u>	<u>-</u>	<u>10,499</u>	<u>1,155,277</u>
Fund balances:				
Nonspendable- prepaids	2,954	-	-	2,954
Assigned-wayfinding signage fund	-	-	-	-
Unassigned	4,717,361	-	-	4,717,361
Total fund balances	<u>4,720,315</u>	<u>-</u>	<u>-</u>	<u>4,720,315</u>
Total liabilities and fund balances	<u>\$ 5,865,093</u>	<u>\$ -</u>	<u>\$ 10,499</u>	<u>\$ 5,875,592</u>
Reconciliation of total fund balance to net position				
Total governmental fund balances				\$ 4,720,315
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.				5,590,063
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 & OPEB - CERS				210,053
Deferred inflow of resources - pensions & OPEB - CERS				(117,831)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Compensated absences				(15,312)
Net pension & OPEB liability - CERS				(839,710)
Net position of governmental activities				<u>\$ 9,547,578</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Wayfinding Signage Fund	Total Governmental Funds
Revenues				
Taxes	\$ 790,190	\$ -	\$ -	\$ 790,190
Licenses and permits	3,070,335	-	-	3,070,335
Intergovernmental	115,761	-	-	115,761
Proceeds from ARPA	447,978	-	-	447,978
Charges for services	168,406	-	25,186	193,592
Fines and forfeitures	5,747	-	-	5,747
Investment Income	89,183	-	-	89,183
Miscellaneous	18,421	-	-	18,421
Total revenues	<u>4,706,021</u>	<u>-</u>	<u>25,186</u>	<u>4,731,207</u>
Expenditures				
Current:				
General government	703,562	-	-	703,562
Public safety	2,138,637	-	-	2,138,637
Public works	396,588	1,230,560	27,976	1,655,124
Community development	131,095	-	-	131,095
Total expenditures	<u>3,369,882</u>	<u>1,230,560</u>	<u>27,976</u>	<u>4,628,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,336,140</u>	<u>(1,230,560)</u>	<u>(2,790)</u>	<u>102,789</u>
Other financing sources (uses)				
Transfers in	-	1,230,560	-	1,230,560
Transfers out	(1,230,560)	-	-	(1,230,560)
Total other financing sources (uses)	<u>(1,230,560)</u>	<u>1,230,560</u>	<u>-</u>	<u>-</u>
Net change in fund balances	105,579	-	(2,790)	102,789
Prior year adjustments	3,912	-	-	3,912
Fund balances - beginning	<u>4,610,824</u>	<u>-</u>	<u>2,790</u>	<u>4,613,614</u>
Fund balances - ending	<u>\$ 4,720,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,720,315</u>

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, 2023</p>

Net change in fund balances - total governmental funds \$ 102,789

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	75,469
Net change in Construction in Progress	1,166,774
Depreciation expense	(650,580)
Prior year Depreciation expense adjustment	(492)

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	8,659
Cost of benefits earned - OPEB - CERS	(18,422)

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	(3,414)
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Change in net position of current year governmental activities 680,783

Prior year adjustments	3,912
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Change in net position of governmental activities \$ 684,695

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, 2023

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, Kentucky 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 to 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2023

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. Businesses within the Thomas More Parkway Office Park are levied a special assessment fee annually included on their property tax bill, which assists with the acquisition and installation costs of the signage project.

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.

In general, 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, 2023

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 or about October 1 each year and are due and payable on December 31 or the last business day of the calendar year if December 31 falls on a Saturday or Sunday. 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, 2023, were \$.167 per \$100 valuation for real property. The assessed value of property on which the levy for 2022 was based was \$481,352,300.

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, 2023 are recognized as prepaid items by the purchase 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
Parks	10-15	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, 2023

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, 2023.

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. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets 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. The City policy to assign funds is: the City Council votes to authorize the Mayor (chief executive officer) to assign fund balances.

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, 2023

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, on or about May 15 each year, 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, 2023</p>

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 must pledge securities along with FDIC insurance at least equal to the amount on deposit, if possible. As of June 30, 2023, the City’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

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, 2023:

Investments	Fair Value Measurements Using			
	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Government bonds:				
U.S. treasury bill	\$ -	\$ -	\$ -	\$ -
U.S. treasury note	-	-	-	-
Total government bonds	-	-	-	-
Total investments	\$ -	\$ -	\$ -	\$ -

As of June 30, 2023, the City transferred all excess cash funds into low risk, short term certificate of deposits and an interest-bearing cash sweep account because of favorable rates of return. In addition, the City elected not to place any excess cash funds into higher risk investments during the fiscal year ended June 30, 2023.

CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2023 was as follows:

	June 30, 2022	Additions	Retirements/ Adjustments	June 30, 2023
Governmental activities:				
Assets not being depreciated				
Construction in progress	\$ 415,627	\$ 1,175,910	\$ (9,137)	\$ 1,582,400
Land	260,000	-	-	260,000
Subtotal	<u>675,627</u>	<u>1,175,910</u>	<u>(9,137)</u>	<u>1,842,400</u>
Other capital assets				
Buildings	2,590,889	-	-	2,590,889
Improvements/infrastructure	14,936,796	43,673	-	14,980,469
Parks	71,024	6,469	-	77,493
Equipment	261,716	25,326	-	287,042
Vehicles	50,050	-	-	50,050
Subtotal	<u>17,910,475</u>	<u>75,468</u>	<u>-</u>	<u>17,985,943</u>
Accumulated depreciation				
Buildings	(1,408,672)	(85,099)	-	(1,493,771)
Improvements/infrastructure	(11,902,438)	(541,981)	-	(12,444,419)
Parks	(6,216)	(4,985)	-	(11,201)
Equipment	(222,163)	(16,676)	-	(238,839)
Vehicles	(48,212)	(1,838)	-	(50,050)
Subtotal	<u>(13,587,701)</u>	<u>(650,579)</u>	<u>-</u>	<u>(14,238,280)</u>
Other capital assets, less depreciation	<u>4,322,774</u>	<u>(575,111)</u>	<u>-</u>	<u>3,747,663</u>
Government activities capital assets, net	<u>\$ 4,998,401</u>	<u>\$ 600,799</u>	<u>\$ (9,137)</u>	<u>\$ 5,590,063</u>

Depreciation was charged to the following governmental activities:

General Government	\$ 103,137
Public Works	542,457
Community Development	4,985
Total	<u>\$ 650,579</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

NOTE E – DEBT

The City’s only debt is the amount of unpaid vacation owed to City employees. The total is \$15,312 of which \$12,250 is current and payable in the next twelve months and \$3,062 is long-term. These funds are liquidated through the General Fund.

Short-term liability activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023	Current Position
Governmental activities -					
Compensated absences	\$ 11,898	\$ 22,712	\$ (19,298)	\$ 15,312	\$ 12,250
Total government activities	<u>\$ 11,898</u>	<u>\$ 22,712</u>	<u>\$ (19,298)</u>	<u>\$ 15,312</u>	<u>\$ 12,250</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 – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pensions Authority (KPPA), 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 Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority 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 plan employees.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

Membership in CERS consisted of the following at June 30, 2022:

	<u>Non-Hazardous</u>	
	<u>Pension</u>	<u>OPEB</u>
Active Plan Members	77,367	76,946
Inactive Plan Members	100,738	28,719
Retired Members	67,206	37,584
	<u>245,311</u>	<u>143,249</u>
Number of participating employers		<u>1,141</u>

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 or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023

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%

Contributions

For non-hazardous duty employees, the City contributed 26.79% of covered employee’s compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

The City made all required contributions for the non-hazardous plan pension obligation for the fiscal year in the amount of \$74,695 of which \$65,243 was for the pension fund and \$9,452 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, 2023, the City reported a liability of \$659,647 for the non-hazardous plan as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 the June 30, 2022 measurement year, the City’s non-hazardous employer allocation proportion was 0.00912% of the total CERS non-hazardous duty employees. For the year ended June 30, 2023, the City recognized pension expense of \$(8,659) in addition to its \$65,243 pension contribution.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>	
	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Differences between expected and actual experience	\$ 705	\$ (5,874)
Net difference between projected actual earnings on plan investments	16,911	-
Changes of assump.	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	42,669	(31,694)
Contributions subsequent to the measurement date	<u>65,243</u>	<u>-</u>
	<u>\$ 125,528</u>	<u>\$ (37,568)</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

The City’s contributions subsequent to the measurement date of \$65,243 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (7,810)
2024	17,331
2025	(5,543)
2026	18,739
2027	-
Thereafter	-
	<u>\$ 22,717</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS’s opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

Plan Target Allocation

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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

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	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 824,478	\$ 659,647	\$ 523,319
Total	\$ 824,478	\$ 659,647	\$ 523,319

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, 2023

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 KPPA Trustees.

For non-hazardous employees, the City contributed 3.39% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount of \$9,452.

These contributions are 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. For the year ended June 30, 2023, the City recognized OPEB expense of \$18,422 in addition to its \$9,452 OPEB contribution.

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

At June 30, 2023, the City reported a liability of \$180,063 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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 the June 30, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.00912% of the total CERS non-hazardous duty employees.

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>Deferred Outflow</u>	<u>Deferred Inflow</u>
Differences between expected and actual experience	\$ 18,125	\$ (41,293)
Net difference between projected actual earnings on plan investments	7,309	-
Changes of assump.	28,478	(23,466)
Changes in proportion, differences between contributions and proportionate share of contributions	21,160	(15,504)
Contributions subsequent to the measurement date	<u>9,452</u>	<u>-</u>
	<u>\$ 84,524</u>	<u>\$ (80,263)</u>

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

The City’s contributions subsequent to the measurement date, \$9,452 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ 1,985
2024	965
2025	(11,749)
2026	3,608
2027	-
Thereafter	-
	<u>\$ (5,191)</u>

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2023

Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.70% for CERS Nonhazardous system was used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2023

Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Plan Target Allocation

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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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 5.70% for the non-hazardous plan, as well as what the proportionate share of the net OPEB 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 332,967	\$ 248,559	\$ 179,013
Total	\$ 332,967	\$ 248,559	\$ 179,013

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	\$ 133,873	\$ 180,063	\$ 235,529
Total	\$ 133,873	\$ 180,063	\$ 235,529

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2023

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 Kentucky Public Pension Authority, 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 retained insurance coverage through Kentucky League of Cities (KLC) Insurance Services. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its 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, 2023, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J – JOINTLY GOVERNED ORGANIZATION

In 1968, the cities of Crestview Hills, Kentucky and Lakeside Park, Kentucky 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 2022-2023, the City of Crestview Hills paid \$1,519,130 to the Authority for police protection services.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2023</p>

NOTE K – COMMITMENTS

On April 1, 2022, the City entered into two separate agreements with the City of Ft. Mitchell, Kentucky and the City of Edgewood, Kentucky for these cities 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 are setup to automatically renew with a 4% cost increase each year and can only be terminated if there is a material breach of the contract or written notice by one party at least 9 months prior to the April 1st renewal date. FY 2022-2023, the contract amounts for fire and emergency services paid to Ft. Mitchell and Edgewood was \$318,150 and \$292,395, respectively.

Effective July 1, 2020, 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, 2023 was \$208,996.

NOTE L – TAX ABATEMENTS

In accordance with GASB 77, the City had the following tax abatements for the fiscal year ended June 30, 2023:

Tax Payer	Tax Approved for Abatement	Authority	Commitment	Amount Abated this Fiscal Year	Date Abatement Ends
Residents on Private Street	\$0.023 per \$100 Assessment	Crestview Hills City Council Ordinance 2010-15-02	5 years with renewal after review by City	\$ 23,959	Reviewed Annually
Residents in College Park Neighborhood	Up to \$350 annual property tax rebate	Crestview Hills City Council Ordinance 2017-01-01	7 Years	\$ -	December 31, 2023
Whitehorse Freight, LLC	Occupational License Fee - Payroll Taxes	Crestview Hills City Council Ordinance 2022-07-01	10 Years	\$ -	10 Years after Future Activation Date
Whitehorse Freight, LLC	Occupational License Fee - Gross Receipts	Crestview Hills City Council Ordinance 2022-07-02	10 Years	\$ -	January 2033
Total Abatement for the Year Ended June 30, 2023				<u>\$ 23,959</u>	

NOTE M – POST COVID-19 GLOBAL PANDEMIC

The City was able to navigate through the economic effects related to the COVID-19 Pandemic and has the City's primary revenue sources, payroll and occupational license taxes, have returned to pre-pandemic levels. However, the new challenge that the City will face is the current economic uncertainties connected to the aftershock of the pandemic in the form of high inflation rates, labor shortages, and supply chain issues creating atypical higher costs in general. The 2023-2024 fiscal year budget has been passed to incorporate the effects of these unusual economic circumstances placed on the City's revenues and expenditures.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE N – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

As another response to the COVID-19 Pandemic, the City was eligible to receive over \$865,000 in American Rescue Plan Act (ARPA) funding from the federal government. Once again, these funds passed through the Commonwealth of Kentucky's Department for Local Government. The City received two (2) tranches of money along with a supplemental amount totaling \$880,828. The first tranche was received in July 2021, while the second tranche was received in June 2022. The City recognized the first tranche of funds in the amount of \$432,850 after filing its compliance reporting in April 2022, and it has been reported as other financial resources at June 30, 2022. The second tranche and supplemental payment was received in the amount of \$447,978. The City recognized the \$447,978 after filing its second compliance report with the United States Treasury Department in April 2023, and it has been reported as other financial resources at June 30, 2023. The City elected to use the standard allowance option to identify revenue loss due to the COVID-19 public health emergency, and the ARPA funds received by the City were designated to offset the City's portion of payroll expenses for public safety employees expended during the pandemic.

NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

NOTE P – FUTURE ACCOUNTING STANDARDS

Statement No. 100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

NOTE Q – PRIOR PERIOD ADJUSTMENTS

In the process of closing out the Wayfinding Fund, the City was required to make an adjustment of \$3,912 to prior periods. This adjustment accounts for General Fund expenditures, which were overstated in prior periods in this fund.

NOTE R – SUBSEQUENT EVENTS

The City's management has evaluated events through October 18, 2023, the date on which the financial statements were available for issue. The City's management did not have any events subsequent to June 30, 2023 through October 18, 2023 to disclose.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 3,967,000	\$ 646,614	\$ 4,613,614	\$ 4,610,824	\$ (2,790)
Prior year fund balance adjustments	-	-	-	3,912	3,912
Resources (inflows):					
Taxes	793,000	-	793,000	790,190	(2,810)
Licenses and permits:	3,153,239	-	3,153,239	3,070,335	(82,904)
Intergovernmental	575,300	-	575,300	563,739	(11,561)
Charges for services	166,135	-	166,135	168,406	2,271
Fines and forfeitures	5,600	-	5,600	5,747	147
Investment income	4,750	-	4,750	89,183	84,433
Miscellaneous	5,000	-	5,000	18,421	13,421
Amounts available for appropriation	<u>8,670,024</u>	<u>646,614</u>	<u>9,316,638</u>	<u>9,320,757</u>	<u>4,119</u>
Charges to appropriations (outflows):					
General government	814,007	20,000	834,007	703,562	130,445
Public safety	2,139,175	-	2,139,175	2,138,637	538
Public works	507,758	-	507,758	396,588	111,170
Community development	151,220	-	151,220	131,095	20,125
Transfers out	1,090,000	560,000	1,650,000	1,230,560	419,440
Total charges to appropriation	<u>4,702,160</u>	<u>580,000</u>	<u>5,282,160</u>	<u>4,600,442</u>	<u>681,718</u>
Budgetary fund balance, June 30	<u>\$ 3,967,864</u>	<u>\$ 66,614</u>	<u>\$ 4,034,478</u>	<u>\$ 4,720,315</u>	<u>\$ 685,837</u>

Notes to Required Supplementary Information for the Year Ended June 30, 2023

As noted above, the City expended \$423,190 less than budgeted for transfers out to the Capital Projects Fund to pay for capital projects. The primary driver for the reduction in expenditures compared to the City's approved budget is directly related to the Summit Drive & Shinkle Road resurfacing projects being significantly less than the City's original estimated costs by approximately \$300,000 coupled with unexpected cost sharing agreements with several entities directly involved with the completion of these projects. The cost sharing reimbursements from other entities was nearly \$100,000. In addition, the City wide streetlights LED conversion costs were about \$125,000 less than projected. Furthermore, there were several operating costs that did not occur or were simply under budget including: 1) \$10,000 cost savings from the purchase of the new accounting software, 2) expended \$20,000 less than budget for economic development, 3) spent \$70,000 less than budgeted for street repair & maintenance, snow removal, street sweeping, and right of way maintenance, 4) \$0 used of the \$15,000 sidewalk and maintenance repair budget line.

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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.91300%	0.00827%	0.00960%	0.00910%	0.83200%	0.00809%	0.00920%	0.00973%	0.00894%	
Proportionate share of the net pension liability (asset)	\$ 659,647	\$ 527,469	\$ 736,235	\$ 639,655	\$ 506,713	\$ 473,767	\$ 453,097	\$ 418,472	\$ 289,995	
Covered payroll in year of measurement	252,336	211,313	245,879	229,424	210,840	207,232	227,093	224,039	221,040	
Share of the net pension liability (asset) as a percentage of its covered payroll	261.42%	249.62%	299.43%	278.81%	240.33%	228.62%	199.52%	186.79%	131.20%	
Plan fiduciary net position as a percentage of total pension liability	52.42%	57.33%	47.81%	53.54%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 65,243	\$ 53,419	\$ 40,783	\$ 47,455	\$ 37,213	\$ 30,530	\$ 26,888	\$ 28,205	\$ 28,565	
Actual contribution	65,243	53,419	40,783	47,455	37,213	30,530	26,888	28,205	28,565	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	278,817	252,336	211,313	245,879	229,424	210,840	207,232	227,093	224,039	
Contributions as a percentage of covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	

Notes to Required Supplementary Information for the Year Ended June 30, 2023

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.91200%	0.00827%	0.00960%	0.00909%	0.00838%	0.00809%				
Proportionate share of the net pension liability (asset)	\$ 180,063	\$ 158,344	\$ 231,714	\$ 152,940	\$ 148,803	\$ 162,717				
Covered payroll in year of measurement	252,336	211,313	245,879	229,424	210,840	207,232				
Share of the net pension liability (asset) as a percentage of its covered payroll	71.36%	74.93%	94.24%	66.66%	70.58%	78.52%				
Plan fiduciary net position as a percentage of total pension liability	60.95%	62.91%	51.67%	57.62%	57.62%	52.40%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 9,452	\$ 14,585	\$ 10,058	\$ 11,704	\$ 12,068	\$ 9,909	\$ 9,117			
Actual contribution	9,452	14,585	10,058	11,704	12,068	9,909	9,117			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	278,817	252,336	211,313	245,879	229,424	210,840	207,232			
Contributions as a percentage of covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.40%			

Notes to Required Supplementary Information for the Year Ended June 30, 2023

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022 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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OTHER SUPPLEMENTARY INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND For the Year Ended June 30, 2023

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Prior year fund balance adjustments	-	-	-	-	-
Resources (inflows):					
Transfers in	1,090,000	560,000	1,650,000	1,230,560	(419,440)
Amounts available for appropriation	<u>1,090,000</u>	<u>560,000</u>	<u>1,650,000</u>	<u>1,230,560</u>	<u>(419,440)</u>
Charges to appropriations (outflows):					
Capital outlay	1,090,000	560,000	1,650,000	1,230,560	419,440
Total appropriations	<u>1,090,000</u>	<u>560,000</u>	<u>1,650,000</u>	<u>1,230,560</u>	<u>419,440</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, 2023

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ 2,790	\$ 2,790
Prior year fund balance adjustment	-	-	-	-	-
Resources (inflows):					
Special assessments	25,000	-	25,000	25,186	186
Amounts available for appropriations	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>27,976</u>	<u>2,976</u>
Charges to appropriations (outflows):					
Public works	25,000	-	25,000	27,976	(2,976)
Total appropriations	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>27,976</u>	<u>(2,976)</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

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

The Statistical Section of the City of Crestview Hills Comprehensive Annual Financial Report 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 58-62

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 63-67

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

Section 3: Debt Capacity:

Pages 68-71

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 72-73

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 74-75

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									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Governmental activities										
Net investment in capital assets	\$ 1,563,410	\$ 1,893,526	\$ 3,911,302	\$ 4,894,134	\$ 4,903,229	\$ 4,719,062	\$ 4,724,685	\$ 4,755,451	\$ 4,998,892	\$ 5,590,063
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	4,459,878	4,116,532	2,588,155	2,549,688	2,453,605	2,735,678	3,289,133	3,161,659	3,863,991	3,957,515
Total governmental activities net position	<u>\$ 6,023,288</u>	<u>\$ 6,010,058</u>	<u>\$ 6,499,457</u>	<u>\$ 7,443,822</u>	<u>\$ 7,356,834</u>	<u>\$ 7,454,740</u>	<u>\$ 8,013,818</u>	<u>\$ 7,917,110</u>	<u>\$ 8,862,883</u>	<u>\$ 9,547,578</u>

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,659	\$ 1,389	\$ -	\$ -	\$ -	\$ 108,900	\$ 108,900	\$ 136,175	\$ 136,050	\$ 136,406
Public safety	3,911	3,420	2,260	25,233	39,850	-	-	-	-	-
Public works	-	-	-	22,058	47,980	24,532	24,526	25,141	28,059	25,186
Community development	10,544	7,689	14,390	9,481	15,250	18,050	12,450	-	11,250	32,000
Operating grants and contributions	-	-	-	-	-	-	235,853	75,266	457,281	447,978
Capital grants and contributions	128,184	131,197	152,412	694,632	97,769	123,493	137,781	133,898	189,113	115,761
Total governmental activities program revenues	144,298	143,695	169,062	751,404	200,849	274,975	519,510	370,480	821,753	757,331
Total Primary government program revenues	\$ 144,298	\$ 143,695	\$ 169,062	\$ 751,404	\$ 200,849	\$ 274,975	\$ 519,510	\$ 370,480	\$ 821,753	\$ 757,331
Expenses										
Governmental activities:										
General government	\$ 596,030	585,436	685,335	636,737	779,259	737,411	762,738	842,847	559,736	803,985
Public safety	1,186,675	1,179,061	1,237,305	1,316,898	1,482,557	1,776,955	1,901,044	1,958,618	2,041,683	2,138,637
Public works	564,266	571,053	647,622	730,455	1,044,660	1,050,391	798,663	1,195,944	1,033,768	976,707
Community development	102,824	109,355	93,247	84,787	78,925	105,472	92,648	(17,441)	80,594	131,095
Interest on long-term debt	73,612	67,592	40,537	-	-	-	-	-	-	-
Total governmental activities	2,523,407	2,512,497	2,704,046	2,768,877	3,385,401	3,670,229	3,555,093	3,979,968	3,715,781	4,050,424
Total primary government expenses	\$ 2,523,407	\$ 2,512,497	\$ 2,704,046	\$ 2,768,877	\$ 3,385,401	\$ 3,670,229	\$ 3,555,093	\$ 3,979,968	\$ 3,715,781	\$ 4,050,424
Net (expense)/revenue Governmental Activities	\$ (2,379,109)	\$ (2,368,802)	\$ (2,534,984)	\$ (2,017,473)	\$ (3,184,552)	\$ (3,395,254)	\$ (3,035,583)	\$ (3,609,488)	\$ (2,894,028)	\$ (3,293,093)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 603,408	\$ 623,891	\$ 627,437	\$ 654,192	\$ 657,437	\$ 683,599	\$ 701,471	\$ 724,547	\$ 754,552	\$ 790,190
Bank deposit taxes	44,198	43,274	39,748	34,779	34,850	38,243	44,354	54,995	41,418	44,946
Public service taxes	1,937,931	1,948,986	2,155,045	2,264,414	2,484,158	2,746,529	2,810,266	2,691,238	3,018,193	3,031,136
Interest	9,932	6,943	6,031	6,056	5,782	23,640	23,022	4,693	18,273	89,183
Miscellaneous	4,840	21,877	4,128	2,397	14,361	1,149	15,548	37,308	7,365	18,421
Total governmental activities	2,600,309	2,644,971	2,832,389	2,961,838	3,196,588	3,493,160	3,594,661	3,512,780	3,839,801	3,973,876
Total primary government	\$ 2,600,309	\$ 2,644,971	\$ 2,832,389	\$ 2,961,838	\$ 3,196,588	\$ 3,493,160	\$ 3,594,661	\$ 3,512,780	\$ 3,839,801	\$ 3,973,876
Change in Net Position										
Current year Governmental activities	\$ 221,200	\$ 276,169	\$ 297,405	\$ 944,365	\$ 12,036	\$ 97,906	\$ 559,078	\$ (96,708)	\$ 945,773	\$ 680,783
Prior year adjustments	-	(289,399)	191,994	-	(99,024)	-	-	-	-	3,912
Total primary government	\$ 221,200	\$ (13,230)	\$ 489,399	\$ 944,365	\$ (86,988)	\$ 97,906	\$ 559,078	\$ (96,708)	\$ 945,773	\$ 684,695

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
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
2019-2020	701,471	2,141,232	394,651	56,286	44,354	3,337,994
2020-2021	724,547	2,138,824	272,247	57,881	54,995	3,248,494
2021-2022	754,552	2,321,651	379,380	69,222	41,418	3,566,223
2022-2023	790,190	2,299,394	403,078	63,701	44,946	3,601,309

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									
	2013-2014	2014-2015	2015-2016 ⁽¹⁾	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	11,960	14,108	15,655	14,474	10,514	9,416	21,940	30,147	17,987	2,954
Unassigned	4,475,715	4,249,795	2,732,769	2,907,706	2,957,163	3,313,832	3,929,696	3,885,433	4,592,836	4,713,449
Prior year adjustments - Unassigned	-	-	191,994	-	19,285	-	-	-	-	3,912
Total General Fund	4,487,675	4,263,903	2,940,418	2,922,180	2,986,962	3,323,248	3,951,636	3,915,580	4,610,824	4,720,315
Capital Projects Fund - Assigned	-	-	-	-	-	-	-	-	-	-
Wayfinding Signage Fund - Assigned	-	141,526	3,044	2,997	2,899	2,791	2,790	2,790	2,790	-
	\$ 4,487,675	\$ 4,405,429	\$ 2,943,462	\$ 2,925,177	\$ 2,989,861	\$ 3,326,039	\$ 3,954,426	\$ 3,918,370	\$ 4,613,614	\$ 4,720,315

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Revenues										
Taxes	\$ 603,611	\$ 623,891	\$ 630,863	\$ 654,192	\$ 657,437	\$ 683,599	\$ 701,471	\$ 724,547	\$ 754,552	\$ 790,190
Licenses and permits	1,982,128	1,992,260	2,190,474	2,291,437	2,515,956	2,775,063	2,848,914	2,741,878	3,054,493	3,070,335
Intergovernmental	128,185	131,197	152,412	694,632	97,769	123,493	137,782	133,898	189,113	115,761
Fines and forfeitures	3,071	2,509	4,319	7,756	3,052	9,710	5,646	4,354	5,118	5,747
Charges for services	13,043	9,989	16,650	56,772	103,080	151,482	145,936	161,316	175,359	193,592
Interest	9,932	6,943	6,031	6,056	5,782	23,640	23,022	4,693	18,273	89,183
Miscellaneous	4,840	21,877	4,128	2,397	19,813	1,149	15,548	37,308	7,365	18,421
Total revenues	2,744,810	2,788,666	3,004,877	3,713,242	3,402,889	3,768,136	3,878,319	3,807,994	4,204,273	4,283,229
Expenditures										
Current:										
General government	484,136	476,503	518,494	542,075	670,266	592,491	622,282	653,786	744,713	703,562
Public safety	1,186,675	1,184,116	1,237,305	1,316,898	1,482,557	1,776,955	1,901,044	1,958,618	2,041,683	2,138,637
Public works	699,426	909,793	1,218,845	1,787,767	1,125,742	957,040	869,810	1,259,651	1,099,320	1,655,124
Community development	102,824	109,355	93,247	84,787	78,925	105,472	92,648	47,261	80,594	131,095
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	125,000	125,000	1,560,000	-	-	-	-	-	-	-
Interest	70,395	66,145	30,947	-	-	-	-	-	-	-
Total expenditures	2,668,456	2,870,912	4,658,838	3,731,527	3,357,490	3,431,958	3,485,784	3,919,316	3,966,310	4,628,418
Excess (deficiency) of revenues over (under) expenditures	76,354	(82,246)	(1,653,961)	(18,285)	45,399	336,178	392,535	(111,322)	237,963	(345,189)
Other financing sources (uses)										
Bond issue	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Proceeds from CARES Act	-	-	-	-	-	-	235,853	75,266	24,431	-
Proceeds from ARPA Funds	-	-	-	-	-	-	-	-	432,850	447,978
Transfers in	313,304	632,211	632,211	1,391,634	688,661	530,494	493,846	858,321	628,756	1,230,560
Transfers out	(313,304)	(632,211)	(632,211)	(1,391,634)	(688,661)	(530,494)	(493,846)	(858,321)	(628,756)	(1,230,560)
Total other financing sources (uses)	-	-	-	-	-	-	235,853	75,266	457,281	447,978
Net change in current year fund balance	76,354	(82,246)	(1,653,961)	(18,285)	45,399	336,178	628,388	(36,056)	695,244	102,789
Prior year adjustments	-	-	191,994	-	19,285	-	-	-	-	3,912
Net change in fund balance	\$ 76,354	\$ (82,246)	\$ (1,461,967)	\$ (18,285)	\$ 64,684	\$ 336,178	\$ 628,388	\$ (36,056)	\$ 695,244	\$ 106,701
Debt service as a percentage of non capital expenditures	8.30%	8.03%	34.15%	0.00%	0.00%	0.00%	0.00%	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
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
2019-2020	701,471	2,141,232	394,651	56,286	44,354	3,337,994
2020-2021	724,547	2,138,824	272,247	57,881	54,995	3,248,494
2021-2022	754,552	2,321,651	379,380	69,222	41,418	3,566,223
2022-2023	790,190	2,299,394	403,078	63,701	44,946	3,601,309

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 1.15% of total payroll of all persons working in the City up to the FICA cap maximum of \$160,200.

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

CITY OF CRESTVIEW HILLS, KENTUCKY
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Real Property Tax	Total Taxable Assessed Value	Total Direct Rate
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%
2019-2020	513,900,802	-	86,659,602	427,241,200	16.80%
2020-2021	558,614,002	-	91,518,102	467,095,900	15.80%
2021-2022	564,682,002	-	92,054,502	472,627,500	16.20%
2022-2023	573,406,802	-	92,054,502	481,352,300	16.70%

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, KY	Total Direct Rates (a)	Overlapping Rates County			Total Direct and Overlapping Rates
			Kenton County	School District	Other	
2013-2014	\$ 0.1570	\$ 0.1570	\$ 0.1480	\$ 0.5770	\$ 0.1713	\$ 1.0533
2014-2015	0.1600	0.1600	0.1480	0.5910	0.1713	1.0703
2015-2016	0.1610	0.1610	0.1480	0.6090	0.1713	1.0893
2016-2017	0.1600	0.1600	0.1480	0.6210	0.1715	1.1005
2017-2018	0.1600	0.1600	0.1480	0.6380	0.1719	1.1179
2018-2019	0.1650	0.1650	0.1550	0.6590	0.1758	1.1548
2019-2020	0.1680	0.1680	0.1590	0.6720	0.1782	1.1772
2020-2021	0.1580	0.1580	0.1590	0.6710	0.1756	1.1636
2021-2022	0.1620	0.1620	0.1540	0.6710	0.1715	1.1585
2022-2023	0.1670	0.1670	0.1440	0.6660	0.1670	1.1440

(1) Per \$100 assessed valuation

(a) The City of Crestview Hills, KY is the only direct rate

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	2022-2023			2013-2014		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 35,788,500	1	7.43%			
Grandview Summit	28,000,000	2	5.82%			
Higbee Company	11,555,000	3	2.40%			
CP Crestview Hills, LLC	8,950,000	4	1.86%			
Broadstone TSGA Kentucky, LLC	7,960,000	5	1.65%			
Children's Hospital Medical Center	6,831,000	6	1.42%			
Northern KY Racquet Club, Inc.	6,260,900	7	1.30%			
Summit Hills Country Club, Inc.	5,940,000	8	1.23%			
CMK Crestview Hills LLC	5,700,000	9	1.18%			
Atria Summit Hills, LLC	5,248,000	10	1.09%			
Total	\$ 122,233,400		25.38%			
Crestview Hills Town Center				\$ 31,693,380	1	7.87%
Grandview Summit Investments				17,600,000	2	4.37%
Higbee Company				11,555,000	3	2.87%
CP Crestview Hills, LLC				8,500,000	4	2.11%
Broadstone TSGA Kentucky, LLC				7,752,600	5	1.92%
Northern KY Racquet Club, Inc.				6,580,800	6	1.63%
Atria Summit Hills, LLC				5,076,000	7	1.26%
Chapel Place D, LLC				4,500,000	8	1.12%
Thomas More Hemmer II LTD				4,400,000	9	1.09%
Summit Hills Country Club Inc.				4,391,100	10	1.09%
Total				\$ 102,048,880		25.33%

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
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	709,104	631,721	89%	76,440	708,160	100%
2019-2020	726,311	719,498	99%	944	720,442	99%
2020-2021	751,037	749,409	100%	11,508	760,917	101%
2021-2022	783,225	721,457	92%	55,588	777,044	99%
2022-2023	816,325	776,204	95%	46,770	822,974	101%

Source: City of Crestivew Hills, KY Finance Staff/Tax Software

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			
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	-	-	-	-	-
2019-2020	-	-	-	-	-
2020-2021	-	-	-	-	-
2021-2022	-	-	-	-	-
2022-2023	-	-	-	-	-

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

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

Governmental Activities

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
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	-	-	-	-	-
2019-2020	-	-	-	-	-
2020-2021	-	-	-	-	-
2021-2022	-	-	-	-	-
2022-2023	-	-	-	-	-

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

(1) See the Schedule of Assessed Value of Taxable property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF CRESTVIEW HILLS, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable⁽¹⁾	Estimated Share of Overlapping Debt
Kenton County (2)	\$ 76,714,025	3.23%	\$ 2,477,863
Kenton County School District (3)	220,385,918	4.71%	10,380,177
Other Kenton County Governments (4)	4,903,721	3.23%	158,390
Subtotal, overlapping debt	<u>302,003,664</u>		<u>13,016,430</u>
City of Crestview Hills direct debt	<u>-</u>		<u>-</u>
Total direct and overlapping debt	<u><u>\$ 302,003,664</u></u>		<u><u>\$ 13,016,430</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 2022-2023

Taxable real property value	\$481,352,300
Add back: exempt real property	92,054,502
Total assessed real property value	<u>\$573,406,802</u>
Debt limit (10% of total assessed real property value)	<u>\$ 57,340,680</u>
Debt applicable to limit:	
General obligation bonds	-
Less: amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 57,340,680</u>

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Debt limit	\$ 47,427,264	\$ 47,294,854	\$ 47,666,323	\$ 49,802,760	\$ 50,721,550	\$ 51,022,650	\$ 51,390,080	\$ 55,861,400	\$ 56,468,200	\$ 57,340,680
Total debt applicable to limit	1,685,000	1,560,000	-	-	-	-	-	-	-	-
Legal debt margin	\$ 45,609,584	\$ 45,734,854	\$ 47,666,323	\$ 49,802,760	\$ 50,721,550	\$ 51,022,650	\$ 51,390,080	\$ 55,861,400	\$ 56,468,200	\$ 57,340,680
Total net debt applicable to the limit as a percentage of debt limit	3.69%	3.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Under state finance law, the City's outstanding debt should not exceed 10 percent of total assessed real 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>Crestview Hills</u> Population(1)	<u>Kenton County</u>	<u>Crestview Hills</u>	<u>Crestview Hills</u>	<u>Kenton County</u>
		Per Capita Personal Income(2)	Median Household Income(3)	Median Age(4)	Unemployment Rate(5)
2013-2014	3,310	\$ 48,593	\$ 74,375	45.0	5.7%
2014-2015	3,320	50,859	71,976	47.5	4.6%
2015-2016	3,327	54,005	68,186	47.4	4.3%
2016-2017	3,321	54,595	71,696	48.1	4.4%
2017-2018	3,281	55,712	76,179	49.2	3.8%
2018-2019	3,300	58,804	87,500	48.8	3.8%
2019-2020	3,310	63,533	74,189	39.2	5.3%
2020-2021	3,383	67,808	90,625	40.9	4.7%
2021-2022	3,400*	71,198 *	92,500 *	42.0*	3.8%
2022-2023	3,425*	74,758 *	95,000 *	43.0*	3.9%

(1) U.S. Census Bureau - American Community Survey "Total Population"

(2) Bureau of Economic Analysis (Kenton County data) "BEA produced intercensal annual county population statistics for 2010 to 2019 that are tied to the Census Bureau decennial counts for 2010 and 2020."

(3) U.S. Census Bureau - American Community Survey "Income in the Past 12 Months"

(4) U.S. Census Bureau - American Community Survey "Age and Sex"

(5) 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

2022-2023			2013-2014		
Taxpayer	Rank	Percentage of Total City Employment	Taxpayer	Rank	Percentage of Total City Employment
St. Elizabeth Medical Center	1	14.23%	St. Elizabeth Physicians	1	11.01%
St. Elizabeth Physicians	2	11.11%	St. Elizabeth Healthcare	2	9.13%
Thomas More University	3	6.11%	Thomas More College	3	5.97%
Tri State Gastroenterology Associates	4	2.74%	Huntington-Kentucky	4	3.87%
Pediatric Associates PSC	5	2.54%	Columbia Sussex Management LLC	5	3.22%
Crestview Management LLC/Columbia Sussex	6	2.51%	Dresssman, Benzinger, & Lavelle, PSC	6	2.89%
Children's Hospital Medical Center	7	2.48%	The Bank of Kentucky Inc.	7	2.82%
Higbee GAK LP/Dillard's	8	1.99%	Children's Hospital Medical Center	8	2.55%
Summit Hills Golf Club Inc.	9	1.39%	Higbee GAK LP/Dillard's	9	2.54%
BB&T Corporation/Truist	10	1.33%	Seed Strategy	10	2.00%
TOTAL		46.43%	TOTAL		46.00%

Source: Kenton County Business Services

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

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General Government	2	3	3	3	3	3	3.5	4	4	4
Public works	1	1	1	1	1	1	0.5	1	1	1

Source: City of Crestview Hills, KY Human Resource Department

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

Function	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
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 of the
City of Crestview Hills, Kentucky**

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of June 30, 2023 and the related notes to the financial statements which collectively comprise the City of Crestview Hills, Kentucky's financial statements, and have issued our report thereon dated October 18, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Crestview Hills, Kentucky's internal control over financial reporting (internal control) as a basis for designing 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 a 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. 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.

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 financial statement. 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
October 18, 2023