

CITY OF CRESTVIEW HILLS, KENTUCKY

Comprehensive Annual Financial Report Year Ending June 30, 2017



City of Crestview Hills Summer Concert "Hotel California" © photography by Lloyd Friend

CITY OF CRESTVIEW HILLS, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Year Ended June 30, 2017

Prepared by:

**Finance Department
City of Crestview Hills**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017

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INTRODUCTORY SECTION



CITY OF CRESTVIEW HILLS

A Kentucky Chamber of Commerce Hall of Fame City

PAUL W. MEIER, MAYOR

November 15th, 2017

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

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

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

Van Gorder, Walker & Co., Inc., Certified Public Accountants, have issued an unqualified (clean) opinion on the City of Crestview Hills financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

Profile of the Government

The City of Crestview Hills, incorporated in 1951, is located in the Northern Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,332 (2016 U.S. Census estimate) with a much larger daytime population. The City levies a property tax on real property and an occupational fee on employees and businesses.

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

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

Local Economy

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

The development of the Research Park area along Thomas More Parkway during the last two decades has been a boom to the City's economy. The Research Park is within seven miles of the Greater Cincinnati/Northern Kentucky International Airport with easy access to I-75, I-71, and I-275. While downtown Cincinnati is only a few minutes away, this location is suburban and residential in nature. The Research Park houses professional offices, specialty physicians, attorneys, banks, country clubs, a four-year college, a gymnastics training facility, children's care facilities, and corporate offices in a suburban environment with the lowest overall tax rates in the area. The proximity of the St. Elizabeth Hospital Healthcare system in the adjacent City of Edgewood has contributed to the large concentration of healthcare related offices in the City. The City is the home to St. Elizabeth Physicians, a multi-specialty physicians group employing 350 physicians and 1,600 total employees throughout Northern Kentucky. St. Elizabeth Physicians also maintains a large presence in the community, remaining the top payroll taxpayer during FY 2016-2017.

Like most of the national economy over the past year, the Northern Kentucky economy has been expanding at a healthy rate. Numerous changes are happening right now around the City. Atlanta based Green Sky Credit established a sizeable footprint in the past year, with a large employee base in the former Fisher Homes building. This has been a positive contributor to the City's business taxes during the year, with overall payroll taxes increasing 4% over FY 2016 . The overall vacancy rate within the office park remains about 5%. The City's primary retail center continues to perform well overall, even with a struggling retail clothing market nationally.

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

The City has embarked on a very important initiative in 2017 to develop a mixed-use zoning code for targeted areas of the community. The new zone will allow for greater density in a future redeveloped Town Center, as well as the flexibility to gain greater density in the Professional Office 1 Zone at the corner of Turkeyfoot Road and Thomas More Parkway. This could provide the catalyst for future redevelopment in the community providing more tax revenues.

The overall revenue picture for the City improved over the past fiscal year. Payroll taxes for FY 2016-2017 increased 4% from \$1,743,878 to \$1,809,737. As the economy's growth has accelerated, the City's revenues have benefited, particularly Payroll and Net Profit taxes. Net Profits increased by approximately 10% from \$317,368 to \$349,743. This revenue source tends to fluctuate from year to year but the overall recent trend has been for healthy increases.

Domiciled businesses account for the majority of payroll taxes received. The number of domiciled accounts was approximately the same in FY 2017, with 455 accounts. For the latest fiscal year, the city registered over 1,800 non-domiciled businesses, everything from construction companies to home service businesses.

The residential real estate market has shown fairly robust growth over the last three years, mirroring the national economy. The final residentially zoned property in the City opened in 2016. The 42 building lots within the neighborhood will have homes ranging in value from the mid \$600,000s to more than \$1 million. There have also been significant renovations taking place over the past couple of years in the Old Crestview Subdivision, and a recent tear-down and rebuild in one of our existing neighborhoods. This signifies a continued healthy housing market in Crestview Hills. The City Council moved to bolster the residential area known as College Park in 2017 by adopting a home reinvestment rebate program. This program will hopefully spur renovations and additions in the subdivision as we experience generational turnover. Overall the commercial real estate in Northern Kentucky has also been robust; however, because most of the land in Crestview Hills has been developed it is unlikely to see substantial new commercial real estate growth, unless there is redevelopment of existing sites.

Long-term financial planning

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

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

The City completed several important projects in FY 2017, including the lane widening on Thomas More Parkway, continued reconstruction of streets, and other infrastructure maintenance and reinvestment initiatives.

The City will begin a significant storm water project in 2017 to construct a major detention facility along a tributary of Horsebranch Creek. Geotechnical and stream consultant analysis of Horsebranch Creek has noted significant erosion of the creek banks due to excessive runoff from storm events. Upstream development, particularly in the office park and hospital campus produces swift currents that undercut the base of the stream as well as the embankments. Because Horsebranch Road is a vital access point to the St. Elizabeth Hospital campus as well as the Thomas More Office Park, the City has prioritized this storm water control project. Future additional projects have been recommended by the Sanitation District's stream consultant, including another major facility by the City of Edgewood near the Hospital campus. The City anticipates future significant costs for this long-term project, including possible bank stabilization near the roadway.

The City has several cost drivers for future budgets. Public Safety costs will continue to rise, and although the City contracts out those services, the underlying increases in personnel (pensions, health insurance, etc.) will continue to affect future City costs. The Kentucky Governor has recently proposed significant changes to the State's defined benefit system as well as a new actuarial funding model for participants that significantly raises payments into the system by members to pay down the unfunded liability. If the new pension contributions amounts are not subject to smoothing, Crestview Hills can anticipate significant increases as soon as the FY 2018-2019 budget. Since the City pays nearly seventy-five percent of the LSPCVH Police Authority costs, the increased pension payments could be well over \$125,000. The pension increases will also likely affect the cost of Fire and Emergency Services contracts.

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

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

For the tax year 2017, the City Council approved the compensating rate plus an additional 2%. This tax rate will produce \$658,155 in property tax revenue. The 2% increase was adopted to help offset annual cost increases in payroll, benefits, and general operating costs (utilities, goods and services, etc.) Due to higher property tax assessments than last year the property tax rate actually remained at .16 per 100 of assessed value. There were several changes in the tax roll, including thirteen property additions. The City had six new homes

added in the new Crown Point Subdivision and several additions on properties. There were reductions in assessed value on 48 residential properties and 5 reductions on commercial properties, which resulted in \$6,687,500 in deletions. The net effect was a decrease in total valuations of \$1,191,600. Homestead Exemptions (owners 65 years of age and older) also continue to increase, with a total of 440 properties (34% of total residential properties) now receiving the exemption in 2017. Another 6 properties receive the disability exemption. For the City to obtain the same amount of revenue from property taxes, the overall rate must be higher to compensate for the increased number of homestead exemptions each year.

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, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General and Capital Projects Funds are included in the annual appropriated budget. The adopted budget for fiscal year 2016 - 2017 was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

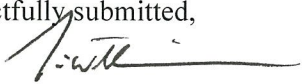
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crestview Hills for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the sixteenth consecutive year that the government has received this prestigious award. To qualify for a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, pronouncements of the Governmental Accounting Standards Board, and applicable legal requirements.

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

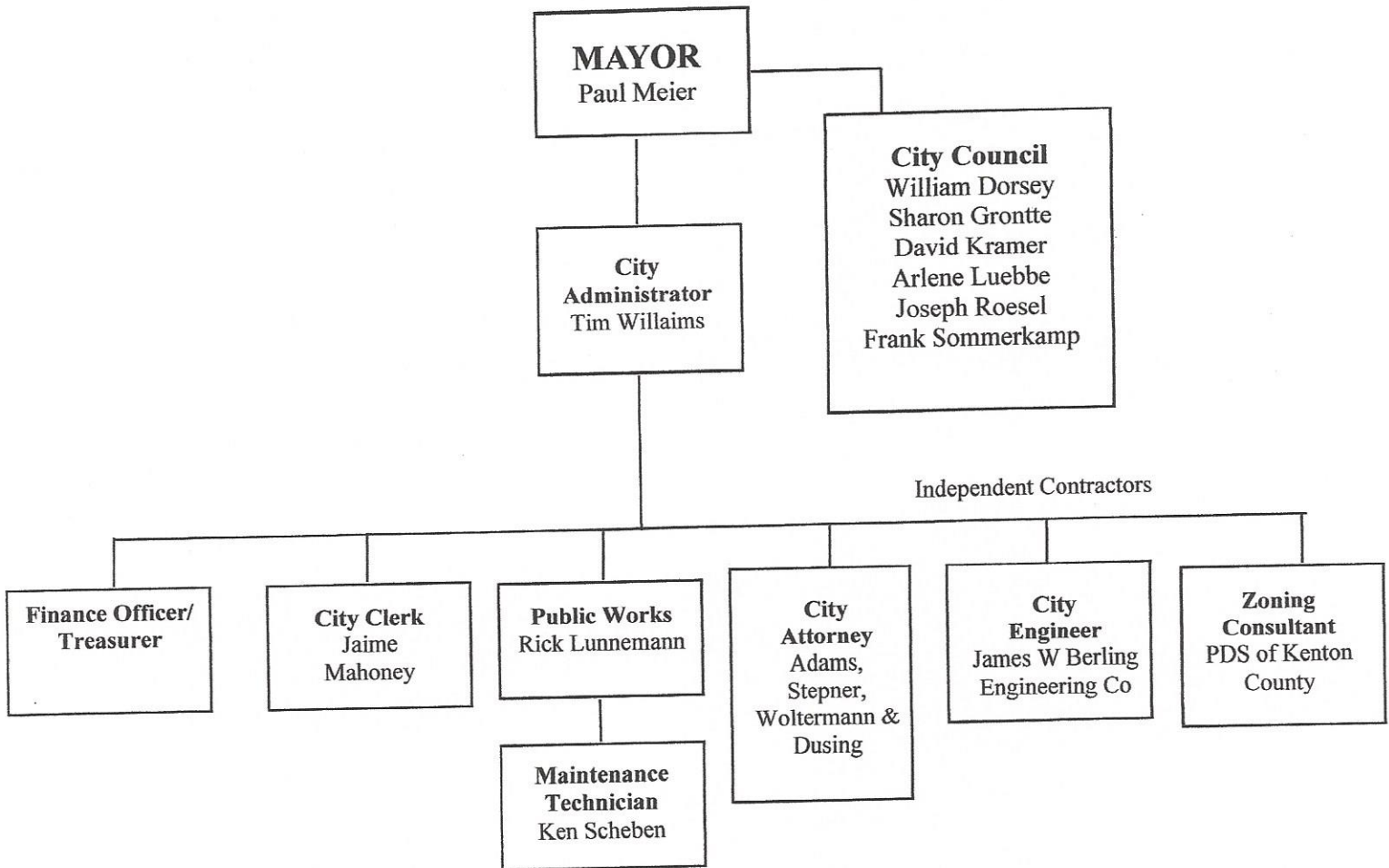
The preparation of this report would not have been possible without the efficient and dedicated service of the finance staff and appreciation is expressed to those who assisted and contributed in its completion. Credit also must be given to the Mayor and City Council for their support in maintaining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

Respectfully submitted,



Tim Williams
City Administrator

City of Crestview Hills Organizational Chart



CITY OF CRESTVIEW HILLS, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2017

Mayor - Council Form of Government

City Council

Paul W. Meier
Mayor

Frank B. Sommerkamp, Jr.
Mayor Pro Tem

Bill Dorsey
David Kramer

Sharon Gronotte
Arlene Luebbe

Joe Roesel

City Administration

Tim Williams
Kara Kramer
Jaime Mahoney
Rick Lunnemann
Planning & Development
Services of Kenton County
Planning & Development
Services of Kenton County
Jim Berling
Mary Ann Stewart

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Crestview Hills
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Crestview Hills, Kentucky (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

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

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

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Crestview Hills, Kentucky as of June 30, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

-Required Supplementary Information

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

-Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017 on our consideration of City of Crestview Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Crestview Hills, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky

October 24, 2017

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

For the Year Ended June 30, 2017

As management of the City of Crestview Hills, Kentucky, we offer readers of the City's financial statements this narrative overview as an analysis of the financial activities of the City of Crestview Hills, Kentucky, for the year ended June 30, 2017. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-6 of this report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 25 and 26) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$7,443,822 (net position).
- The City's total net position increased \$944,365 this year. This was primarily the result of the completion of the Thomas More Parkway lane widening project and reconstruction of two streets in the City (net investment in capital assets).
- As of June 30, 2017, the City's governmental funds reported a combined ending fund balance of \$2,925,177, a decrease of (\$18,285) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,907,706 a decrease of (\$17,057) below fiscal year 2016. This was the result of a slight negative ending balance in the General Fund (primarily associated with large capital projects).
- Compensated absences decreased from \$19,289 to \$15,970 during the fiscal year.
- The City's Net Pension liability increased by \$34,625, from \$ 418,472 to \$453,097 during the year. See page Note G for a further explanation on the determination of pension liabilities.

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 is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 27 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes. All of the City's funds are governmental funds.

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 30 – 43 of this report.

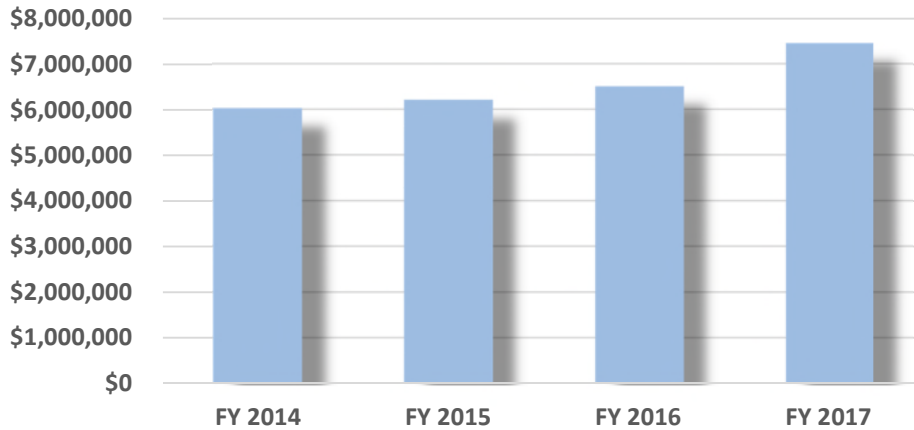
Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, general fund – budget to actual comparison and pension disclosures, on pages 44-45 and other supplementary information, capital project fund – budget to actual, on page 46.

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Crestview Hills's assets and liabilities, with the differences between the two reported as net position. For the years ended June 30, 2017 and 2016, net position was stated as follows:

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Current assets	\$3,177,001	\$2,986,612
Capital assets	<u>4,894,134</u>	<u>3,930,591</u>
Total assets	8,071,135	6,917,203
Deferred outflow of resources		
Deferred outflows related to pension	<u>95,465</u>	<u>89,061</u>
Total assets and deferred outflows	<u>8,166,600</u>	<u>7,006,264</u>
Long-term liabilities	453,097	418,472
Other liabilities	<u>267,794</u>	<u>62,439</u>
Total liabilities	720,891	480,911
Deferred inflow of resources	<u>1,887</u>	<u>25,896</u>
Total liabilities and deferred inflows	<u>722,778</u>	<u>506,807</u>
Net investment in capital assets	4,878,164	3,911,302
Unrestricted	<u>2,565,658</u>	<u>2,588,155</u>
Total net position	\$7,443,822	\$6,499,457

Change in Net Position of Assets FY 2014 - FY 2017



There was an increase of \$944,365 from last year to \$7,443,822 or an increase of 15% in the City's net position for governmental activities. Cash increased \$76,671 from FY 2016 while capital assets increased \$963,543. Current liabilities increased by \$208,674 and long-term liabilities increased \$31,306 due entirely to increases in the City's unfunded net pension liability with the Kentucky Retirement System.

Governmental Activities

Governmental activities increased the net position of the City of Crestview Hills by \$944,365 during FY2017 as summarized on the following chart:

Changes in Net Position Governmental Activities

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$56,772	\$16,650
Capital grants and contributions	694,632	152,412
General revenues:		
Property taxes	654,192	627,437
Payroll license fees	1,809,737	1,743,878
Net profit license tax	349,743	317,368
Other taxes, licenses, fees	139,713	122,578
Interest	6,056	6,031
Other	<u>2,397</u>	<u>15,097</u>
Total Revenues	<u>3,713,242</u>	<u>3,001,451</u>

Expenses:

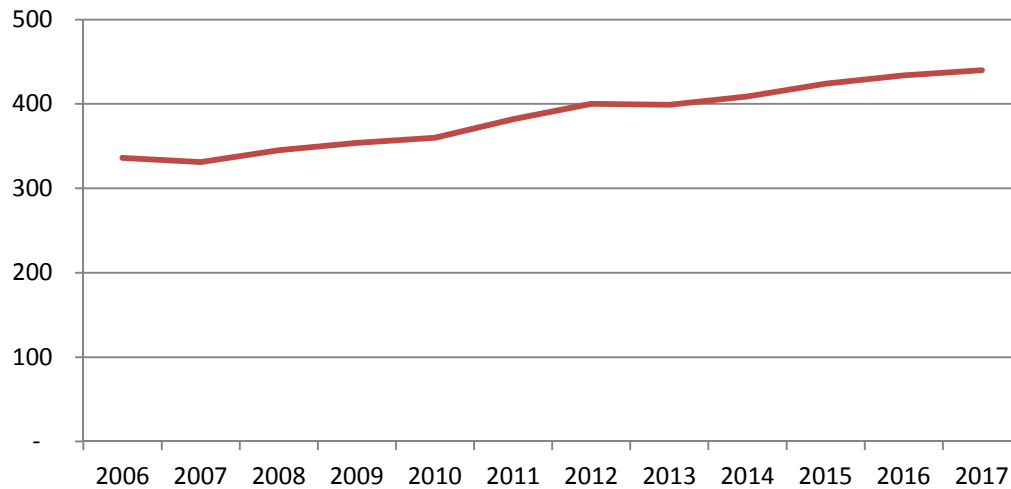
General Government	636,737	685,335
Public Safety	1,316,898	1,237,305
Public Works	730,455	647,622
Community Services	84,787	93,247
Interest on debt	<u>0</u>	<u>40,537</u>
Total Expenses	<u>2,768,877</u>	<u>2,704,046</u>
Increase in net position	944,365	297,405
Net Position - Beginning	<u>6,499,457</u>	<u>6,202,052</u>
Net Position - End of Year	<u>\$7,443,822</u>	<u>\$6,499,457</u>

- Revenues for the City's governmental activities totaled \$3,713,242, compared to \$3,001,451 last year.
- Payroll license fees totaled \$1,809,737 or nearly 50% of the total revenues. This was an increase of 3.8% from last year. The increase was positive in light of the City losing two significant employers (Huntington Bank operations center and OHC) during the year. This reflects the overall strength of the local economy.
- Due to the installation of a new travel lane on Thomas More Parkway to improve congestion, capital grants (Federal 80% matching grant) for the project was recognized during the year.
- The second largest recurring revenue was property taxes, which accounted for \$654,192, an increase of 4.3% over FY 2016. The City benefited from both a modest increase in taxes (2.5%) and new homes in the Crown Point subdivision and significant home additions in the Old Crestview subdivision.
- This year total expenses for the City's governmental activities were \$2,768,877 compared to \$2,704,046 last year. 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.

Governmental Activities: Revenues

Property tax rates remained at .16 cents per hundred in tax year 2017. Rates did not change, even with the 2.5% increase in taxes due to a decline in the overall tax base due to lower reassessments on residential and commercial properties. The City also continues to see an increase in Homestead Exemptions with a total of 440 properties now receiving the exemption in 2017. Kentucky law allows property owners who are 65 or older to receive a homestead exemption. For tax year 2017 the homestead exemption is \$37,600. The amount of the exemption is subtracted from the assessed value of the property. The City still maintains one of the lowest overall property tax rates, and the lowest overall tax burden of any City in Northern Kentucky.

Total Properties with Homestead Exemption



Governmental Activities: Expenses

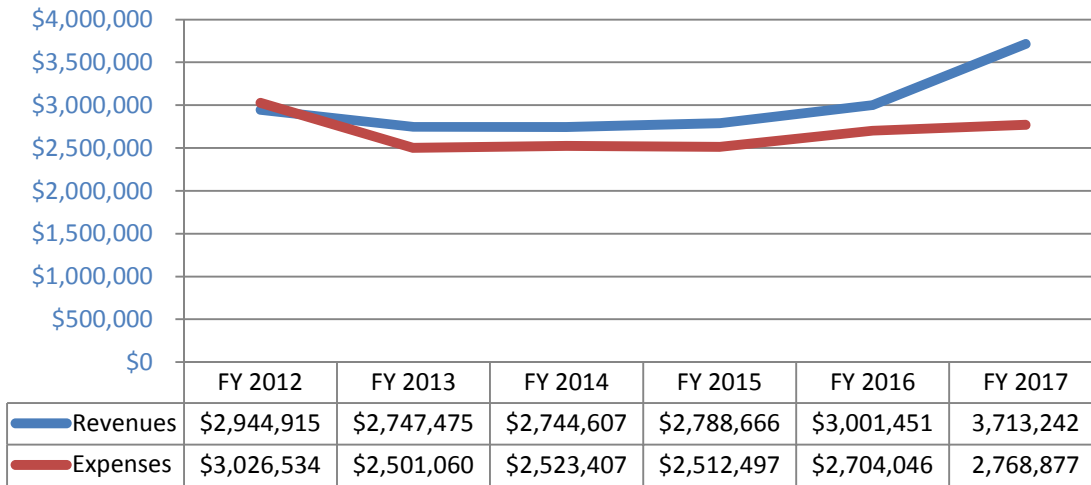
General Government expenses increased in FY 2016-2017 by \$64,831, or only a little over 2% from the prior fiscal year. Despite the added expenses for an additional officer in the Police Authority and the completion of the Thomas More Parkway lane widening project, the City was able to reduce costs in General Government and Community Services to offset those increases.

Total Community Development costs decreased from \$93,247 to \$84,787. The City has decreased some of the recreation events in the past few years, including tours and underwriting sports tickets. The City also ended several programs due to low attendance such as the summer picnic. Costs have remained steady for landscape maintenance. Costs have risen somewhat for recreational programs with yearly enhancements to the summer concert series. Generally, the City covers the costs for staging, lighting, and sound, restrooms, misc. and sponsors cover the majority of the cost for the bands.

The City's Public Works costs increased by \$82,833. Public Works includes capital projects on infrastructure, which extend or renew the life of the street, joint projects with other governmental entities, and any repairs of the City Building. The increase of costs is a result of spending more money on capital projects this year compared to last year. Other costs were actually down, including personnel costs, as the City went most of the year without a public works maintenance staff member.

Lastly, Public Safety increased \$79,593 or 6.43% over FY 2016 levels. This is primarily a result of the City's share of the costs for an additional patrol officer at the Lakeside Park/Crestview Hills Police Authority, and the annual 4% escalator clause associated with the City's Fire and Emergency Services contracts with Fort Mitchell and Edgewood. Public Safety costs are likely to rise significantly higher next year as the full year cost of the new patrol officer hits the budget, and the City re-bids its Fire and Emergency Services contracts. New pension contribution costs from the Kentucky Retirement Systems will also increase the City's cost for all public safety services.

Total Revenues & Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

Governmental funds

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

At year-end, the City’s governmental funds reported combined fund balances of \$2,925,177 million, which is a decrease of \$18,285 from last year. During the year, a total of \$1,391,634 was transferred from the general fund to the capital projects fund and a total of \$22,058 was transferred from the general fund to the special revenue fund. It is anticipated that the capital project expenditures will range between \$500,000 and \$700,000 in the future, as the City Council prioritizes infrastructure maintenance. The City has several projects planned for FY 2018 such as: the rehabilitation of Legends Way and Trevino Ridge, reconstruction of Man-O-War Court and repairs to the bridge on Shinkle Road.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Expenditures were less than budgeted amounts by \$213,467. The General Government budgeted expenditures were \$583,105 compared to the actual amount of \$542,075. Public Safety budgeted expenditures were \$1,316,997, compared to the actual amount of \$1,316,898. Public Works budgeted expenditures were \$475,780 compared to the actual amount of \$374,028. Excluded from that amount were transfers out of the General Fund to the Capital Projects Fund of \$1,459,997 budgeted and \$1,391,634 expended. Community Development budgeted expenditures were \$87,010 compared to the actual amount of \$84,787. Overall, the City continued its prudent management of the City’s finances, delivering public services and investing in the City’s infrastructure, and 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 \$15,970 at the end of the fiscal year. This was down slightly from FY 2016 as the result of a vacancy in one of the City's full-time positions.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Compensated Absences PTO	\$ 15,970	\$ 19,289
Totals	\$ 15,970	\$ 19,289

Not included in the table above is the \$453,097 recognized as unfunded net pension liability under GASB 68. 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, 2017, the City had \$15,564,687 invested in governmental net capital assets including, buildings, roads and sidewalks. This represents a net increase of \$1,364,992.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Land & Construction in Progress	\$341,804	\$389,051
Buildings	2,590,889	2,590,889
Improvements/Infrastructure	12,392,239	10,981,759
Equipment	194,065	192,306
Vehicles	<u>45,690</u>	<u>45,690</u>
Subtotals	15,564,687	14,199,695
Accumulated Depreciation	<u>(10,670,553)</u>	<u>(10,269,104)</u>
Net Capital Assets	\$4,894,134	\$3,930,591

Major additions included:

Construction in progress, net of deletions	\$81,804
Infrastructure Projects	\$1,412,239

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the City relies to a great extent on professional office and retail. The City's activities are primarily funded through business taxes collected from medical offices, general office, retail and education. The largest source of revenue by far is the payroll tax of 1% on all wages up to \$ 127,300 (for 2017) earned within City limits. Nearly 80% of all City taxes are derived from the businesses and commercial sectors of the City.

The Affordable Care Act has increased the demand for health care services, along with uncertainty and cost pressures stemming from health care reform. Many of the larger health care providers have acquired smaller providers to achieve economies of scale and diversify their customer base and service offerings. These consolidations have also reduced back office employment of medical practices in the City as those functions have been relocated to or in some cases consolidated. Since the majority of medical consolidation in Crestview Hills has been completed in the past eight years, the City's major employer, St. Elizabeth Healthcare, has a significant share (25%) of the overall employment. Decisions that are made at the corporate level on practice consolidation and relocation, as well as the determination of where to locate the corporate offices of the physicians group, could have a significant impact on future City tax revenues.

Like most of the national economy over the past year, Northern Kentucky has seen an uptick in job creation and overall business activity. The City's retail center is 90% leased. The overall vacancy rate within the office is less than 10%, with much of the vacant space separated into small square foot spaces. The City continues to work with brokers and our Economic Development Partners to fill vacant spaces, including the Huntington Bank operation center location on Centre View Boulevard. The City continues to explore additional office development for the five undeveloped lots remaining in the office park.

Another significant contributor to the City's revenue is the Crestview Hills Town Center. City staff works closely with the owners to support new businesses and to keep the center robust and a destination shopping location in Northern Kentucky. Recent changes in retail, including the closure of a number of national retail locations, has impacted the Shopping Center recently. The owners are now working with the City in development of a new zoning designation for the Center that would allow for a mix of uses, including offices and housing on the site. The owners are also exploring more entertainment and activity based businesses that will better compliment the retailers and restaurants.

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

Finally, 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 in the reputation and viability of the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Officer/Treasurer, 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, 2017
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	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,355,233
Receivables:	
Property taxes	1,642
Accounts	805,652
Prepaid items	14,474
Capital assets:	
Capital assets not being depreciated	341,804
Other capital assets, net	4,552,330
Total Assets	8,071,135
Deferred Outflows of Resources	
Deferred outflows related to pension	95,465
Total Deferred Outflows of Resources	95,465
Total Assets and Deferred Outflows of Resources	8,166,600
Liabilities	
Accounts payable	236,861
Accrued payroll liabilities	6,413
Deferred revenue	8,550
Noncurrent liabilities:	
Due within one year - compensated absences	15,970
Net pension liability	453,097
Total Liabilities	720,891
Deferred Inflows of Resources	
Deferred inflow related to pensions	1,887
Total Liabilities and Deferred Inflows of Resources	722,778
Net Position	
Net Investment in Capital Assets	4,878,164
Unrestricted	2,565,658
Total Net Position	\$ 7,443,822

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, 2017

	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	\$ 636,737	\$ -	\$ -	\$ -	\$ (636,737)
Public safety	1,316,898	25,233	-	-	(1,291,665)
Public works	730,455	22,058	-	694,632	(13,765)
Community development	84,787	9,481	-	-	(75,306)
Total governmental activities	<u>2,768,877</u>	<u>56,772</u>	<u>-</u>	<u>694,632</u>	<u>(2,017,473)</u>
Total primary government	<u>\$ 2,768,877</u>	<u>\$ 56,772</u>	<u>\$ -</u>	<u>\$ 694,632</u>	<u>\$ (2,017,473)</u>
General revenues:					
Taxes:					
					\$ 654,192
					34,779
					1,809,737
					349,743
					78,923
					26,011
					6,056
					2,397
					<u>2,961,838</u>
					944,365
					6,499,457
					<u>\$ 7,443,822</u>

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

CITY OF CRESTVIEW HILLS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects Fund	Minor Fund Signage Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,328,694	\$ -	\$ 26,539	\$ 2,355,233
Receivables:				
Property taxes	1,642	-	-	1,642
Accounts	457,396	-	158,631	616,027
Other governments	189,625	-	-	189,625
Due from other funds	182,173	-	-	182,173
Prepays	14,474	-	-	14,474
Total Assets	\$ 3,174,004	\$ -	\$ 185,170	\$ 3,359,174
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 236,861	\$ -	\$ -	\$ 236,861
Accrued payroll liabilities	6,413	-	-	6,413
Deferred revenues	8,550	-	-	8,550
Due to other funds	-	-	182,173	182,173
Total Liabilities	251,824	-	182,173	433,997
Fund Balances:				
Nonspendable- prepaids	14,474	-	-	14,474
Assigned-capital projects	-	-	-	-
Assigned-wayfinding signage fund	-	-	2,997	2,997
Unassigned	2,907,706	-	-	2,907,706
Total Fund Balances	2,922,180	-	2,997	2,925,177
Total Liabilities and Fund Balances	\$ 3,174,004	\$ -	\$ 185,170	\$ 3,359,174

Reconciliation of Total Fund Balance to Net Position

Total governmental fund balances	\$ 2,925,177
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds,	4,894,134
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflow of resources	95,465
Deferred inflow of resources	(1,887)
Long-term liabilities, including bonds payable, capital leases and compensated absences, and net pension liability are not due and payable in current period and are not reported in the funds	(469,067)
Net position of governmental activities	\$ 7,443,822

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, 2017

	General	Capital Projects Fund	Minor Fund Signage Fund	Total Governmental Funds
Revenues				
Taxes	\$ 654,192	\$ -	\$ -	\$ 654,192
Licenses and permits	2,291,437	-	-	2,291,437
Intergovernmental	694,632	-	-	694,632
Charges for services	34,714	-	22,058	56,772
Fines and forfeitures	7,756	-	-	7,756
Interest	6,056	-	-	6,056
Miscellaneous	2,397	-	-	2,397
Total Revenues	3,691,184	-	22,058	3,713,242
Expenditures				
Current:				
General government	542,075	-	-	542,075
Public safety	1,316,898	-	-	1,316,898
Public works	374,028	1,391,634	22,105	1,787,767
Community development	84,787	-	-	84,787
Total Expenditures	2,317,788	1,391,634	22,105	3,731,527
Excess (deficiency) of revenues over (under) expenditures	1,373,396	(1,391,634)	(47)	(18,285)
Other Financing Sources (Uses)				
Transfers in	-	1,391,634	-	1,391,634
Transfers out	(1,391,634)	-	-	(1,391,634)
Total Other Financing Sources (Uses)	(1,391,634)	1,391,634	-	-
Net Change in Fund Balances	(18,238)	-	(47)	(18,285)
Fund Balances - Beginning	2,940,418	-	3,044	2,943,462
Fund Balances - Ending	\$ 2,922,180	\$ -	\$ 2,997	\$ 2,925,177

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, 2017</p>

Net change in fund balances - total governmental funds \$ (18,285)

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	1,412,239
Net change in Construction in Progress	(47,247)
Depreciation expense	(401,449)

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

Costs of benefits earned	(4,212)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds - compensated absences.

3,319

Change in net position of governmental activities **\$ 944,365**

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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Crestview Hills, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Reporting Entity

The City of Crestview Hills is a municipality governed by a mayor and six-member council. As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the government.

Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, related of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

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

Property taxes, payroll taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered recorded as revenue when funds have been received.

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

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

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

The Wayfinding Signage Fund accounts for financial resources to be used for the acquisition and installation of signage for the Thomas More Parkway area of the City.

Assets, liabilities and net position or equity

Cash and Cash Equivalents

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

The City is authorized by state statute to invest in:

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

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

Property Taxes and Tax Calendar

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Property tax rates for the year ended June 30, 2017, were \$.1610 per \$100 valuation for real property. The assessed value of property on which the levy for 2016 was based was \$419,322,600.

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, 2017 are recognized as prepaid items by the purchases method.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City capitalizes 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. Improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

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

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees with at least five years of continuous service with the City, who retire with CERS benefits, will be paid one-half of their accumulated sick leave upon termination of employment. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of bonds.

Deferred Outflows/Inflows of Revenues

The City reports separate sections of deferred inflows and deferred outflows of resources. These separate financial statement elements represent an acquisition or consumption of net position that applies to future periods. The City reports unavailable revenue in the governmental funds balance sheet only, from one source – property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government has two items that are reported only in the government-wide statement of net position - deferred outflow amounts related to pension contributions since the measurement date and other deferrals related to pensions and deferred inflow amounts related to pensions.

Fund Balance Policies

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

Interfund Transactions

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

Required Supplementary Information Budgetary Policies

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

Restricted Revenues

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

Use of Estimates

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2017</p>
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Expenditures may not legally exceed budgeted appropriations at the city level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the City Administrator, budgetary transfers between departments can be made. All appropriations lapse at fiscal year-end.

NOTE C – DEPOSITS AND INVESTMENTS

As of June 30, 2017, the City held no investments:

Custodial Credit Risk – Deposits – For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2017, the City’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’ behalf and the FDIC insurance.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Governmental activities:				
Assets not being depreciated				
Land	\$ 260,000	\$ -	\$ -	\$ 260,000
Construction in progress	129,051	81,804	(129,051)	81,804
	<u>389,051</u>	<u>81,804</u>	<u>(129,051)</u>	<u>341,804</u>
Other capital assets				
Buildings	2,590,889	-	-	2,590,889
Improvements/infrastructure	10,981,759	1,410,480	-	12,392,239
Equipment	192,306	1,759	-	194,065
Vehicles	45,690	-	-	45,690
Subtotal	<u>13,810,644</u>	<u>1,412,239</u>	<u>-</u>	<u>15,222,883</u>
Accumulated depreciation				
Buildings	(881,167)	(88,424)	-	(969,591)
Improvements/infrastructure	(9,165,224)	(307,576)	-	(9,472,800)
Equipment	(187,048)	(2,943)	-	(189,991)
Vehicles	(35,665)	(2,506)	-	(38,171)
Subtotal	<u>(10,269,104)</u>	<u>(401,449)</u>	<u>-</u>	<u>(10,670,553)</u>
Other capital assets, less depreciation	<u>3,541,540</u>	<u>1,010,790</u>	<u>-</u>	<u>4,552,330</u>
Governmental activities capital assets, net	<u><u>\$ 3,930,591</u></u>	<u><u>\$ 1,092,594</u></u>	<u><u>\$ (129,051)</u></u>	<u><u>\$ 4,894,134</u></u>

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

Depreciation was charged to the following governmental activities:

General Government	\$	93,873
Public Works		307,576
Total	\$	<u>401,449</u>

NOTE E – DEBT

The City’s only debt is the amount of unpaid vacation owned to City employees. This debt is considered short term and payable in the current year.

Short-term liability activity for the year ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Current Portion
Governmental activities -					
Compenstated absences	\$ 19,289	\$ 13,778	\$ (17,097)	\$ 15,970	\$ 15,970
Total governmental activities	<u>\$ 19,289</u>	<u>\$ 13,778</u>	<u>\$ (17,097)</u>	<u>\$ 15,970</u>	<u>\$ 15,970</u>

NOTE F – CLAIMS AND JUDGMENTS

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

NOTE G – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)

The City’s eligible employees are covered by the County Employees Retirement System (CERS).

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

Plan description-Employees are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided - CERS provides retirement and death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2017</p>
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For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

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

Contributions

The City contributed 18.68%, of which 13.95% was for the pension fund and 4.73% was for the health insurance fund, of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2017. The City made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2017 in the amount of \$36,005, of which \$26,888 was for the pension fund and \$9,117 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, 2017, the City reported a liability of \$453,097 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2017</p>
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proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's employer allocation proportion was 0.0092% of the total CERS non-hazardous duty liability. The City's proportion was a decrease of .00053% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the City realized a net increase in pension expense of \$4,212.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 1,978	\$ -
Net difference between projected and actual earnings on plan investments	42,596	-
Changes of assumptions	24,003	-
Changes in proportion and differences between City's contribution and proportionate share of contributions	-	1,887
City's contribution subsequent to the measurement date	26,888	-
Total	<u>\$ 95,465</u>	<u>\$ 1,887</u>

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments, all of which are deferred over the weighted average years of working lifetime of all plan participants (active and inactive) which is determined to be 3.41 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5 year period.

Deferred Outflows and Inflows of Resources

In FY 2017, \$95,465 was recognized as a deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, and d) contributions subsequent to the measurement date. In FY 2017, \$1,887 was recognized as a deferred inflow of resources resulting from changes in proportion share.

The City's contributions subsequent to the measurement date of \$26,888 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

Fiscal Year Ending June 30,	Net Deferral Amortization
2017	\$ 24,919
2018	16,489
2019	15,819
2020	9,463
2021	-
	<u>\$ 66,690</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and the margin will be reviewed when the next experience investigation is conducted. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

Changes of Assumptions

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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

<u>Asset Class</u>	<u>CERS Hazardous & Non-Hazardous Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

<p>CITY OF CRESTVIEW HILLS, KENTUCKY Notes to the Financial Statements Year Ended June 30, 2017</p>
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Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Discount Rate	City's Proportionate Share of CERS Net Pension Liability
1% decrease	6.5%	\$ 564,632
Current discount rate	7.5%	453,097
1% increase	8.5%	357,489

Plan Fiduciary Net Position

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

NOTE H – CONTINGENT LIABILITIES

The City is not currently a defendant in any lawsuits.

NOTE I – RISK MANAGEMENT

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

The City estimates that the amount of actual or potential claims against the City as of June 30, 2017, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with one other local governmental entity that provided police protection services, created the Lakeside Park-Crestview Hills Police Authority. The Police Authority, a separate legal entity, provides police services to the two governmental entities. The Authority’s board is comprised of five members. Except for the annual contribution, no participant has any obligation, entitlement or residual interest. The City’s annual contribution for the year ending June 30, 2017 was \$1,092,058. The City has committed to extending the agreement for the year ended June 30, 2018. Either party may cancel its participation upon a ninety (90) written notice.

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE K – COMMITMENTS

On April 1, 2014, the City entered into two separate agreements with the City of Ft. Mitchell and the City of Edgewood for Ft. Mitchell and Edgewood to provide fire and basic life support services for certain geographic portions of Crestview Hills. The portion covered by Ft. Mitchell is approximately two thirds of the City. These agreements terminate on March 31, 2018. The current contract amount for fire and emergency services from Ft. Mitchell and Edgewood are \$138,466 and \$69,875, respectively.

Effective July 1, 2015, the City entered into a three-year agreement with Rumpke of Kentucky, Inc. for solid waste collection and recycling services. The amount paid in FYE 6/30/17 was \$159,984.

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

Statement No. 77 – *Tax Abatement Disclosures*

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

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

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

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

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – Implementation in FY 2018*

Statement No. 81 – *Irrevocable Split-Interest Agreements – Implementation in FY 2018*

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

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

Statement No. 85 – *Omnibus 2017 – Implementation in FY 2018*

Statement No. 86 – *Certain Debt Extinguishment Issues – Implementation in FY 2018*

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

CITY OF CRESTVIEW HILLS, KENTUCKY
Notes to the Financial Statements
Year Ended June 30, 2017

NOTE N – SUBSEQUENT EVENTS

The City's management has evaluated events through October 24, 2017, the date on which the financial statements were available for issue. The City's management did not have any events subsequent to June 30, 2017 through October 24, 2017 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, 2017

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 2,416,294	\$ -	\$ 2,416,294	\$ 2,940,418	\$ 524,124
Resources (inflows):					
Taxes	674,775	-	674,775	654,192	(20,583)
Licenses and permits:	2,227,725	-	2,227,725	2,291,437	63,712
Intergovernmental	740,600	-	740,600	694,632	(45,968)
Charges for services	45,790	-	45,790	34,714	(11,076)
Fines and forfeitures	3,525	-	3,525	7,756	4,231
Investment income	5,150	-	5,150	6,056	906
Miscellaneous	22,000	-	22,000	2,397	(19,603)
Amounts available for appropriation	6,135,859	-	6,135,859	6,631,602	495,743
Charges to appropriations (outflows):					
General government	583,105	-	583,105	542,075	41,030
Public safety	1,316,997	-	1,316,997	1,316,898	99
Public works	475,780	-	475,780	374,028	101,752
Community development	87,010	-	87,010	84,787	2,223
Transfers out	1,459,997	-	1,459,997	1,391,634	68,363
Total charges to appropriation	3,922,889	-	3,922,889	3,709,422	213,467
Budgetary fund balance, June 30	\$ 2,212,970	\$ -	\$ 2,212,970	\$ 2,922,180	\$ 709,210

CITY OF CRESTVIEW HILLS, KENTUCKY

**REQUIRED SUPPLEMENTARY INFORMATION - MULTIPLE EMPLOYER, COST SHARING,
DEFINED BENEFIT PENSION PLAN DISCLOSURE-NON-HAZARDOUS**

Last Ten Fiscal Years

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of net pension liability	0.00920%	0.00973%	0.00894%							
Proportionate share of the net pension liability (asset)	\$ 453,097	\$ 418,472	\$ 289,995							
Covered payroll in year of measurement	207,232	227,093	224,039							
Share of the net pension liability (asset) as a percentage of its covered payroll	218.64%	184.27%	129.44%							
Plan fiduciary net position as a percentage of total pension liability	55.50%	59.97%	66.80%							

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 26,888	\$ 28,205	\$ 28,565							
Actual contribution	26,888	28,205	28,565							
Contribution deficiency (excess)	-	-	-							
Covered payroll	207,232	227,093	224,039							
Contributions as a percentage of covered employee payroll	12.97%	12.42%	12.75%							

**Notes to Required Supplementary Information
for the Year Ended June 30, 2017**

The net pension liability as of June 30, 2017, is based on the June 30, 2016, 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.

SUPPLEMENTARY INFORMATION

CITY OF CRESTVIEW HILLS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Amendments	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows):					
Transfers in	1,459,997	-	1,459,997	1,391,634	(68,363)
Amounts available for appropriation	<u>1,459,997</u>	<u>-</u>	<u>1,459,997</u>	<u>1,391,634</u>	<u>(68,363)</u>
Charges to appropriations (outflows):					
Capital outlay	1,459,997	-	1,459,997	1,391,634	68,363
Total appropriations	<u>1,459,997</u>	<u>-</u>	<u>1,459,997</u>	<u>1,391,634</u>	<u>68,363</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

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STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

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

Section 1: Financial Trend Data:

Pages 50-54

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 55-59

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

Section 3: Debt Capacity:

Pages 60-63

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 64-65

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 66-68

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 1,743,862	\$ 1,359,250	\$ 1,418,119	\$ 1,394,098	\$ 1,238,466	\$ 1,384,751	\$ 1,563,410	\$ 1,893,526	\$ 3,911,302	\$ 4,878,164
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,642,026	3,888,039	4,052,567	4,243,194	4,317,207	4,417,337	4,459,878	4,116,532	2,588,155	2,565,658
Total governmental activities net position	\$ 5,385,888	\$ 5,247,289	\$ 5,470,686	\$ 5,637,292	\$ 5,555,673	\$ 5,802,088	\$ 6,023,288	\$ 6,010,058	\$ 6,499,457	\$ 7,443,822

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,109	\$ 11,860	\$ 1,598	\$ (3,131)	\$ 811	\$ 2,623	\$ 1,659	\$ 1,389	\$ -	\$ -
Public safety	2,200	2,200	3,995	4,385	4,069	4,400	3,911	3,420	2,260	25,233
Public works	-	-	-	-	-	-	-	-	-	22,058
Community development	12,885	15,520	15,382	19,782	12,907	12,408	10,544	7,689	14,390	9,481
Capital grants and contributions	92,741	52,492	55,555	75,755	331,421	73,357	128,184	131,197	152,412	694,632
Total governmental activities program revenues	110,935	82,072	76,530	96,791	349,208	92,788	144,298	143,695	169,062	751,404
Total Primary government program revenues	\$ 110,935	\$ 82,072	\$ 76,530	\$ 96,791	\$ 349,208	\$ 92,788	\$ 144,298	\$ 143,695	\$ 169,062	\$ 751,404
Expenses										
Governmental activities:										
General government	\$ 611,723	\$ 593,327	\$ 596,205	\$ 576,874	\$ 580,733	\$ 557,336	\$ 596,030	585,436	685,335	636,737
Public safety	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,179,061	1,237,305	1,316,898
Public works	1,242,877	922,688	608,025	573,568	1,116,282	584,229	564,266	571,053	647,622	730,455
Community development	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355	93,247	84,787
Interest on long-term debt	130,100	87,947	87,524	83,783	78,273	75,921	73,612	67,592	40,537	-
Total governmental activities	3,012,819	2,624,968	2,352,251	2,352,496	3,026,534	2,501,060	2,523,407	2,512,497	2,704,046	2,768,877
Total primary government expenses	\$ 3,012,819	\$ 2,624,968	\$ 2,352,251	\$ 2,352,496	\$ 3,026,534	\$ 2,501,060	\$ 2,523,407	\$ 2,512,497	\$ 2,704,046	\$ 2,768,877
Net (expense)/revenue Governmental Activities	\$ (2,901,884)	\$ (2,542,896)	\$ (2,275,721)	\$ (2,255,705)	\$ (2,677,326)	\$ (2,408,272)	\$ (2,379,109)	\$ (2,368,802)	\$ (2,534,984)	\$ (2,017,473)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 527,141	\$ 573,494	\$ 599,773	\$ 581,200	\$ 577,737	\$ 597,639	\$ 603,408	\$ 623,891	\$ 627,437	\$ 654,192
Bank deposit taxes	24,998	27,015	33,003	36,931	40,580	41,897	44,198	43,274	39,748	34,779
Public service taxes	1,678,335	1,703,150	1,735,988	1,761,878	1,920,758	1,990,245	1,937,931	1,948,986	2,155,045	2,264,414
Interest	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943	6,031	6,056
Miscellaneous	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877	4,128	2,397
Total governmental activities	2,393,677	2,404,297	2,499,118	2,422,311	2,595,707	2,654,687	2,600,309	2,644,971	2,832,389	2,961,838
Total primary government	\$ 2,393,677	\$ 2,404,297	\$ 2,499,118	\$ 2,422,311	\$ 2,595,707	\$ 2,654,687	\$ 2,600,309	\$ 2,644,971	\$ 2,832,389	\$ 2,961,838
Change in Net Position										
Governmental activities	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169	\$ 297,405	\$ 944,365
Total primary government	\$ (508,207)	\$ (138,599)	\$ 223,397	\$ 166,606	\$ (81,619)	\$ 246,415	\$ 221,200	\$ 276,169	\$ 297,405	\$ 944,365

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
2008	\$ 550,722	\$ 1,428,168	\$ 221,286	\$ 28,884	\$ 24,998	\$ 2,254,058
2009	566,925	1,423,096	246,184	16,935	27,015	2,280,155
2010	599,773	1,469,296	224,179	42,513	33,003	2,368,764
2011	581,200	1,542,322	182,584	36,972	36,931	2,380,009
2012	577,737	1,608,387	270,185	42,186	40,580	2,539,075
2013	597,639	1,657,512	293,378	39,355	41,897	2,629,781
2014	603,408	1,607,965	285,561	44,405	44,198	2,585,537
2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975
2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132
2017	654,192	1,809,737	349,743	64,949	34,779	2,913,400

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 2,811,109	\$ 2,914,995	\$ 2,968,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	803,823	942,991	1,065,465	-	-	-	-	-	-	-
Nonspendable	-	-	-	17,750	17,750	14,136	11,960	14,108	15,655	14,474
Assigned- capital projects	-	-	-	246,913	-	-	-	-	-	-
Assigned- wayfinding signs	-	-	-	-	-	-	-	141,526	3,044	2,997
Unassigned	-	-	-	3,972,539	4,220,227	4,397,185	4,475,715	4,249,795	2,924,763	2,907,706
Total General Fund	\$ 3,614,932	\$ 3,857,986	\$ 4,033,857	\$ 4,237,202	\$ 4,237,977	\$ 4,411,321	\$ 4,487,675	\$ 4,405,429	\$ 2,943,462	\$ 2,925,177

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 575,720	\$ 566,925	\$ 615,117	\$ 590,355	\$ 578,885	\$ 589,578	\$ 603,611	\$ 623,891	\$ 630,863	\$ 654,192
Licenses and permits	1,678,335	1,730,165	1,768,991	1,798,809	1,961,338	2,032,141	1,982,128	1,992,260	2,190,474	2,291,437
Intergovernmental	92,741	52,492	55,555	75,755	252,831	151,946	128,185	131,197	152,412	694,632
Fines and forfeitures	53,679	11,856	3,376	(954)	2,677	4,809	3,071	2,509	4,319	7,756
Charges for services	15,119	17,724	17,599	21,990	15,111	14,622	13,043	9,989	16,650	56,772
Interest	153,535	99,311	64,146	29,847	22,660	9,968	9,932	6,943	6,031	6,056
Miscellaneous	9,668	1,327	66,208	12,455	33,972	14,938	4,840	21,877	4,128	2,397
Total revenues	2,578,797	2,479,800	2,590,992	2,528,257	2,867,474	2,818,002	2,744,810	2,788,666	3,004,877	3,713,242
Expenditures										
Current:										
General government	485,465	503,140	494,272	489,698	473,767	452,329	484,136	476,503	518,494	542,075
Public safety	985,510	952,783	1,010,548	1,051,286	1,180,680	1,201,262	1,186,675	1,184,116	1,237,305	1,316,898
Public works	845,619	518,165	664,487	524,818	948,301	714,280	699,426	909,793	1,218,845	1,787,767
Community development	42,609	68,223	49,949	66,985	70,566	82,312	102,824	109,355	93,247	84,787
Capital expenditures	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	100,000	105,000	110,000	110,000	115,000	120,000	125,000	125,000	1,560,000	-
Interest	92,835	89,435	85,865	82,125	78,385	74,475	70,395	66,145	30,947	-
Total expenditures	2,552,038	2,236,746	2,415,121	2,324,912	2,866,699	2,644,658	2,668,456	2,870,912	4,658,838	3,731,527
Excess (deficiency) of revenues over (under) expenditures	26,759	243,054	175,871	203,345	775	173,344	76,354	(82,246)	(1,653,961)	(18,285)
Other financing sources (uses)										
Bond issue	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Transfers in	418,827	142,577	258,680	106,562	488,264	353,060	313,304	632,211	632,211	1,391,634
Transfers out	(418,827)	(142,577)	(258,680)	(106,562)	(488,264)	(353,060)	(313,304)	(632,211)	(632,211)	(1,391,634)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ 26,759	\$ 243,054	\$ 175,871	\$ 203,345	\$ 775	\$ 173,344	\$ 76,354	\$ (82,246)	\$ (1,653,961)	\$ (18,285)
Debt service as a percentage of non capital expenditures	9.40%	9.40%	9.10%	8.90%	6.90%	8.50%	8.30%	8.03%	34.15%	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
2008	\$550,722	\$ 1,428,168	\$ 221,286	\$ 28,881	\$ 24,998	\$ 2,254,055
2009	566,925	1,423,096	246,184	16,935	27,015	2,280,155
2010	582,114	1,469,286	224,179	42,513	33,003	2,351,095
2011	590,355	1,542,323	182,584	36,972	36,931	2,389,165
2012	578,885	1,608,387	270,185	42,186	40,580	2,540,223
2013	589,578	1,657,512	293,377	39,355	41,897	2,621,719
2014	603,611	1,607,965	285,561	44,404	44,198	2,585,739
2015	623,891	1,622,419	246,607	53,784	43,274	2,589,975
2016	627,437	1,743,878	317,368	63,701	39,748	2,792,132
2016	654,192	1,809,737	349,743	64,949	34,779	2,913,400

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

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

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

<p>CITY OF CRESTVIEW HILLS, KENTUCKY ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS</p>
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Fiscal Year June 30	Real Property	Personal Property	Less: Tax-Exempt Real Property Tax	Total Taxable Assessed Value	Total Direct Rate
2008	\$ 400,259,531	\$ -	\$ 55,055,943	\$ 345,203,588	15.25%
2009	460,876,508	-	59,642,343	401,234,165	14.15%
2010	472,415,708	-	61,450,643	410,965,065	14.55%
2011	464,245,283	-	68,371,543	395,873,740	15.20%
2012	470,174,042	-	70,333,302	399,840,740	15.20%
2013	474,272,642	-	71,339,902	402,932,740	15.45%
2014	472,945,842	-	71,555,902	401,389,940	15.70%
2015	476,663,228	-	72,269,602	404,393,626	16.00%
2016	498,027,602	-	78,705,002	419,322,600	16.10%
2017	507,215,502	-	84,627,602	422,587,900	16.10%

Source: Kenton County PVA

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

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

<u>Fiscal Year</u>	<u>City of Crestview Hills</u>	<u>Overlapping Rates County</u>			<u>Total Direct and Overlapping Rates</u>
		<u>Kenton County</u>	<u>School District</u>	<u>Other</u>	
2008	\$ 0.1525	\$ 0.1380	\$ 0.5640	\$ 0.1410	\$ 0.9955
2009	0.1525	0.1410	0.5580	0.1480	0.9995
2010	0.1415	0.1420	0.5580	0.1530	0.9945
2011	0.1455	0.1480	0.5570	0.1650	1.0155
2012	0.1520	0.1480	0.5570	0.1720	1.0290
2013	0.1545	0.1480	0.5570	0.1720	1.0315
2014	0.1570	0.1480	0.5770	0.1710	1.0530
2015	0.1610	0.1480	0.6090	0.1713	1.0893
2016	0.1600	0.1480	0.6210	0.1715	1.1005
2017	0.1600	0.1480	0.6210	0.1715	1.1005

(1) Per \$100 assessed valuation

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

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

Taxpayer	2017			2008		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Crestview Hills Town Center	\$ 33,159,000	1	7.79%			
Grandview Summit	20,736,000	2	4.87%			
Higbee Company	11,555,000	3	2.72%			
CP Crestview Hills, LLC	8,859,500	4	2.08%			
Broadstone TSGA Kentucky, LLC	7,755,000	5	1.82%			
Northern KY Racquet Club, Inc.	6,580,800	6	1.55%			
Medical Properties	5,500,000	7	1.29%			
Atria Summit Hills, LLC	5,076,000	8	1.19%			
Summit Hills Country Club, Inc.	4,843,000	9	1.14%			
Chapel Place D, LLC	4,500,000	10	1.06%			
Total	\$ 108,564,300		25.51%			
Crestview Hills Towne Center				\$ 30,760,900	1	8.92%
Higbee Company				11,555,000	2	3.35%
Grandview Summit Apartments				10,455,000	3	3.03%
Northern KY Racquet Club, Inc.				5,234,000	4	1.52%
Atria Summit Hills, LLC				5,000,000	5	1.45%
Chapel Place D, LLC				4,500,000	6	1.30%
Summit Hills Country Club				4,076,600	7	1.18%
Thomas More/Hemmer II LTD				4,035,000	8	1.17%
Crestview Hills Bank				3,930,000	9	1.14%
Thomas More/Hemmer IV LTD				3,750,000	10	1.09%
Total				\$ 83,296,500		24.15%

Source: Kenton County PVA

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Collections	Total Collections to Date(1)	
					Amount	Percentage of Levy
2008	\$ 526,580	\$ 520,656	99%	\$ 5,240	\$ 525,896	100%
2009	567,718	530,212	93%	36,369	566,581	100%
2010	597,713	590,730	99%	5,567	596,297	100%
2011	584,788	583,275	100%	1,513	584,788	100%
2012	576,994	576,737	100%	-	576,737	100%
2013	593,309	579,300	98%	14,010	593,310	100%
2014	603,611	599,810	99%	-	599,810	99%
2015	642,224	623,164	97%	727	623,891	97%
2016	679,236	674,521	99%	3,426	677,947	100%
2017	653,192	651,870	100%	1,322	653,192	100%

(1) As of June 30, 2016

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

Fiscal Year	Governmental Activities		Total Primary Government	Per Capita	Percentage of Per Capita Personal Income
	General Obligation Bonds	Notes			
2008	\$ 2,370,000	-	\$ 2,370,000	\$ 658	0.01%
2009	2,265,000	-	2,265,000	611	0.01%
2010	2,155,000	-	2,155,000	565	0.01%
2011	2,045,000	-	2,045,000	536	0.01%
2012	1,930,000	-	1,930,000	609	0.01%
2013	1,810,000	-	1,810,000	575	0.01%
2014	1,685,000	-	1,685,000	533	0.01%
2015	1,560,000	-	1,560,000	496	0.01%
2016	-	-	-	-	0.00%
2017	-	-	-	-	-

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

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

Governmental Activities

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
2008	\$ 2,370,000	\$ -	\$ 2,370,000	0.59%	\$ 658
2009	2,265,000	-	2,265,000	0.49%	611
2010	2,155,000	-	2,155,000	0.46%	565
2011	2,045,000	-	2,045,000	0.44%	536
2012	1,930,000	-	1,930,000	0.41%	609
2013	1,810,000	-	1,810,000	0.38%	575
2014	1,685,000	-	1,685,000	0.42%	533
2015	1,560,000	-	1,560,000	0.39%	496
2016	-	-	-	0.00%	-
2017	-	-	-	-	-

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, 2017

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

Source: Kentucky local Debt Report

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

⁽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 2017

Assessed value	\$ 419,322,600
Add back: exempt real property	78,705,002
Total assessed value	<u>\$ 498,027,602</u>
Debt limit (10% of total taxable assessed value)	<u>\$ 49,802,760</u>
Debt applicable to limit:	
General obligation bonds	-
Less: amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 49,802,760</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 39,258,933	\$ 40,025,953	\$ 46,087,651	\$ 47,241,571	\$ 46,424,528	\$ 47,017,404	\$ 47,427,264	\$ 47,294,854	\$ 47,666,323	\$ 49,802,760
Total debt applicable to limit	2,370,000	2,265,000	2,155,000	2,045,000	1,930,000	1,810,000	1,685,000	1,560,000	-	-
Legal debt margin	\$ 37,655,953	\$ 43,822,651	\$ 45,086,571	\$ 44,379,528	\$ 45,087,404	\$ 45,617,264	\$ 45,609,584	\$ 45,734,854	\$ 47,666,323	\$ 49,802,760
Total net debt applicable to the limit as a percentage of debt limit	6.29%	5.17%	4.78%	4.61%	4.28%	3.97%	3.69%	3.41%	0.00%	0.00%

Note: Under state finance law, the City's outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF CRESTVIEW HILLS, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Per Capita Median Income(1)	Total Personal Income Expressed in Thousands⁽¹⁾	Median Age⁽²⁾	Unemployment Rate⁽²⁾
2008	3,604	\$ 57,473	\$ 207,133	43.6	5.5%
2009	3,709	58,645	217,514	43.9	8.1%
2010	3,816	57,001	217,516	44.0	9.9%
2011	3,816	57,473	219,317	44.0	9.9%
2012	3,148	40,822	128,508	44.0	9.5%
2013	3,148	40,822	128,508	44.3	7.4%
2014	3,159	40,822	128,508	44.3	5.8%
2015	3,159	40,822	128,508	45.4	5.5%
2016	3,159	40,822	128,508	45.4	5.5%
2017	3,159	40,822	128,508	45.4	5.5%

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

⁽²⁾ US Bureau of Labor Statistics

⁽³⁾ 2012 and 2013 represents final Census Data while prior years are estimates. 2014, 2015, 2016, and 2017 are estimates.

CITY OF CRESTVIEW HILLS, KENTUCKY

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

2017			2008		
Taxpayer	Rank	Percentage of Total City Employment	Taxpayer	Rank	Percentage of Total City Employment
St. Elizabeth Medical Center	1	12.4%	Thomas More College	1	6.0%
St. Elizabeth Physicians	2	11.6%	Fischer Management	2	4.9%
Thomas More College	3	5.8%	The Kroger Company	3	3.9%
Huntington Kentucky, LLC	4	3.6%	Dillard's	4	3.3%
Columbia Sussex Management, LLC	5	2.8%	The Bank of Kentucky, Inc.	5	3.1%
Dresssman, Benzinger, & Lavelle, PSC	6	2.6%	Cincinnati Healthcare Group, PSC	6	2.8%
Tri State Gastroenterology Associates	7	2.6%	Dresssman, Benzinger, & Lavelle, PSC	7	2.6%
Greensky, LLC	8	2.3%	Patient First Physicians Group	8	2.5%
Higbee Gak LP	9	2.3%	Commonwealth Orthopedic Center	9	2.4%
Children's Hospital Medical Center	10	2.2%	Pediatric Associates	10	2.1%
TOTAL		48.2%	TOTAL		33.6%

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	3	3	3	3	3	2	2	3	3	3
Public works	1	1	1	1	1	1	1	1	1	0

Source: Human Resource Department

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police:										
Stations	-	-	-	-	-	-	-	-	-	-
Fire:										
Fire stations	-	-	-	-	-	-	-	-	-	-
Highways and streets										
Street (miles)	13	13	13	13	13	13	13	13	13	13
Streetlights	73	73	73	73	73	73	73	73	73	73

Source: Various City departments

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

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

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview Hills, Kentucky, as of and for the year ended June 30, 2017, which collectively comprise the City of Crestview Hills, Kentucky's basic financial statements and have issued our report thereon dated October 24, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City of Crestview Hills, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Crestview Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Crestview Hills, Kentucky's internal control.

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Crestview Hills, Kentucky in a separate letter dated October 24, 2017.

Purpose of this Report

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

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
October 24, 2017

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