

CITY OF CRESTVIEW HILLS

Comprehensive Annual Financial Report

**JUNE 30, 2003**

**COMBINED FINANCIAL STATEMENT**

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

Year Ended June 30, 2003

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# CITY OF CRESTVIEW HILLS

A Kentucky Chamber of Commerce Hall of Fame City

PAUL W. MEIER, MAYOR

November 13, 2003

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Crestview Hills for the fiscal year ended June 30, 2003.

It is with great pleasure that I present to you the City of Crestview Hills Comprehensive Annual Financial Report. This year's report complies with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The new financial reporting model completely changes the format of the City's financial statements. It is intended to improve financial reporting by adding significant additional information not previously available in local government financial statements.

The City of Crestview Hills has taken a leadership role in implementing GASB 34. The City's early implementation, before the 2004 deadline, will enable the City Council and residents of Crestview Hills to become more aware of the benefits and information contained in the new financial reporting model. The information and processes developed by the City to implement GASB 34 will be made available to other cities in the State of Kentucky and throughout the nation to facilitate their implementation of this very important pronouncement. The City of Crestview Hills is proud to be on the leading edge of local governmental financial reporting.

The Comprehensive Annual Financial Report includes the financial activity for all funds of the City. The City provides a wide range of services including public works, engineering, maintenance, and general administrative activities. Contracted services include police and fire protection, landscape (plantings) maintenance, dog warden services, emergency medical service, building and zoning. The established criteria are, in general terms, financial accountability.

Included as a part of this letter are several attachments that provide important information regarding the operations and economic environment of the City. The attachments are summarized as follows:

<u>Attachment</u>	<u>Content</u>
A	Profile of the Government
B	Economic Condition and Outlook
C	Major Projects for the Year and for the Future
D	Other Information

The Comprehensive Annual Financial Report of the City of Crestview Hills for the fiscal year ended June 30, 2003 is hereby presented. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

## ATTACHMENT A

### **CITY OF CRESTVIEW HILLS PROFILE OF THE GOVERNMENT**

The City of Crestview Hills, incorporated in 1951, is located in the Northern most tip of Kentucky. Crestview Hills currently occupies a land area of 2.6 square miles and serves a residential population of 3,105 (est.2003 by U.S. Census) and a day population of approximately 7,500. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Crestview Hills has operated under the Mayor-Council form of government since 1951. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City manager and attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the head of Public Works. 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. All committees of the City are required to submit requests for appropriation to the City Manager on or before the second Thursday in April. The City Treasurer then uses these figures as the starting point for developing a proposed budget. The budget is reviewed by the Finance Committee before going to City Council for first reading in May. Council is required to hold public hearings on the proposed budget and adopt a final budget by not 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.

ATTACHMENT B

**CITY OF CRESTVIEW HILLS**

**ECONOMIC CONDITION AND OUTLOOK**

Crestview Hills is located 11 miles southeast of Cincinnati. What distinguishes our city is its high-end residential neighborhoods, a four-year liberal arts college (Thomas More), and 2 country clubs. Crestview Hills' economy is almost entirely service based. The three key economic areas vital to the City's tax base are (in priority order): the service industry, country club, and the medical profession.

The City has been very fortunate in the development of the Research Park area along Thomas More Parkway. There is one vacant lot and several undeveloped lots with much potential. The Research Park is close to the Greater Cincinnati/Northern Kentucky Airport with relatively easy access to I-75, I-71, and I-275. Any Northern Kentucky city and downtown Cincinnati is a few minutes away, yet this location is suburban and residential in nature. The Research Park houses day spas, doctors, lawyers, banks, country clubs, a college, gymnastics, children's care facilities, and corporate offices in an aesthetically pleasing environment with possibly the lowest overall tax rate in the area and all the amenities.

The City expects payroll tax from businesses located in the Research Park to rise in the coming fiscal year as the City and the developers continue to market Crestview Hills as a premiere business location. Residential real estate is expected to experience vigorous sales activity, again due to the attraction that the up-scale Crestview Hills' homes have for wealthy retirees and those wishing to escape from urban adversity and blight, as well as the current low mortgage rates. Yet, the City should remain cautious in that it has a limited product mix for its tax base, with inadequate diversification for hedging against those economic downturns that impinge on the service industry.

Within the fiscal year, a major grocery chain moved their data processing center in the building vacated last calendar year by Square D, Inc., and several additional medical facilities and offices have located in the Research Park. Crestview Hills looks forward to a positive working relationship with these and all current businesses in the Research Park zone.

Built in 1979, the City had high hopes for a retail mall as a prime location for anchor stores and smaller retail venues. However, since that time, the mall management has not taken advantage of the opportunities available and the mall remains 48% vacant. A well-known anchor store and two chain outlets are currently situated in the mall. In fiscal year 2003, construction had begun on Carrabba's, a high-end Italian chain eatery. The store is anticipated to do well and the Mall encourages other upscale restaurants to locate on any of the other 2 out lots available. For this to occur would require some minor zoning changes, which are being discussed at this time. Several inquiries have been made with mall managers and with the City by upscale eating establishments and those wishing to market boutique items. It is a continuing goal of the City of Crestview Hills to attempt to work with the Crestview Hills Mall managers and owners in an attempt to make it a location in which retail and high-end eating establishments wish to situate. Queries have been fielded through the administrative offices regarding possible reconstruction and remarketing of the mall site in FY04.

### **Attachment C**

## **CITY OF CRESTVIEW HILLS**

### **MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE**

#### **City Hall/Police Expansion**

An expansion of City Hall, which will house the Administration, Police, and a community room, is being discussed at this time. No finalization of plans has occurred. Funding will come solely from the Reserved for Capital Projects Investment Fund and will not require any additional sources to our knowledge. It is anticipated that a free-standing committee will be formed by the Mayor to gather information on what amenities the new building shall contain. Plans, suggestions and bids have been accepted from respondents and the project will proceed from there.

#### **Thomas More Parkway Streetlights**

The City of Crestview Hills has received approval for funding from the State of Kentucky to install streetlights along Thomas More Parkway. The poles and lights will be donated from the State with leftover lights from other projects. This move will initially save the City approximately \$135,000, however, the City will have ownership of the lights and poles upon installation, therefore, the City will have to add maintenance and replacement costs to the annual streets budget.

#### **Landscaping**

Beautification of the City has been a priority for several years. Crestview Hills has planted numerous trees throughout and has begun landscaping high-profile right of ways with a variety of perennial flowers, ornamental grasses, and decorative bushes in pre-determined spots. This project will continue until City Council, residents, and the business communities are pleased with the overall look of all areas in which the City maintains. Council proposes one or two new plantings each fiscal year while maintaining what has already taken root and replacing any vegetation as necessary. Last calendar summer saw an unusually dry pattern establish itself

over the Midwest while this summer the area is experiencing a particularly wet pattern. It is expected that over the course of the next three years, trees and project vegetations will experience demise and will have need of replacement.

### **Thomas More Parkway Lane Extension**

The Public Works Committee has proposed a turn lane extension from Villa Madonna Drive to the first entrance to Five Seasons Sports Club on Thomas More Parkway. The extension would measure approximately 150 yards and would allow vehicles to access both Thomas More College and Five Seasons Sports Club from this right-turn only lane. Bids will be accepted in spring 2004 and construction should be completed before the end of the fiscal year.

### **Thomas More Pond**

Crestview Hills is taking an active role in attempting to assist in securing private funding for the clean-up of this historic site, currently owned by Thomas More College.

## **Attachment C**

### **CITY OF CRESTVIEW HILLS**

#### **MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE (CONT.)**

#### **Median Strip on Turkeyfoot Rd.**

A request for a separate landscaping project is currently being researched that involves the beautification of a 60' section of median on Turkeyfoot Rd. approaching I-275 from the south and Mall Rd. from the north. The City Engineer and the Public Works Committee are investigating state right of way requirements, encroachment permits needed, and proper vegetation for this growing medium.

#### **Earthen Berm**

A study has been undertaken to determine whether the construction of an earthen berm directly abutting state right of way along I-275 and the rear yards on Woodspoint Drive would successfully and significantly abate interstate noise. A solid waste consultant has proposed one or two options for construction, which have been reviewed. A new option is currently under investigation. Committee and administration have determined that an additional assessment would be made on the property tax bill of the Woodspoint Drive residents should this project receive approval from the State of Kentucky, the residents on Woodspoint Drive and the Committee.

#### **Dixie Heights High School expansion and Storm Water improvement**

The Kenton County Board of Education, the Kentucky Department of Transportation and the City are working together to improve the storm water drainage near Dixie Heights, Caywood School and the homes on the south west side of Summit Drive. Financial assistance is expected from Kentucky Department of Transportation, Kenton County, and the City of Edgewood, as Dixie Heights High School and Caywood Elementary are located within the City of Edgewood.

It is unclear at this time the level of financial responsibility that shall be placed upon the City of Crestview Hills.

### **Mobile Data Transmitters**

During the course of the next fiscal year, mobile data transmitters should be installed in police cruisers. At this time, officers request information through Kenton County dispatch for an annual fee. The MDTs would allow officers to connect to a national database immediately. The cost for installation and connection fee would be substantial the first year and would require maintenance and updates yearly. The equipment would be expected to last a minimum of three to five years before the need for replacement. In the Crestview Hills budget, this would be budgeted as an expenditure since the City contracts through a Police Authority with the City of Lakeside Park.

## **Attachment D**

### **CITY OF CRESTVIEW HILLS**

#### **OTHER INFORMATION**

### **Internal Controls**

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.

### **Annual Audit**

As a recipient of State and County 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, 2003 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### **Budgetary Controls**

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 Finance Department and Committee desires purchase of a stable, expandable accounting package. Bids and demonstrations are currently underway. The adopted budget for Fiscal Year 2002 - 2003 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.

**Attachment D**  
**CITY OF CRESTVIEW HILLS**  
**OTHER INFORMATION, CONTINUED**

**Cash 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 reaping the highest and best return. Accordingly, deposits were either insured by Federal depository insurance or collateralized.

**Risk Management**

The City joined the Kentucky League of Cities Municipal Risk Management Association in November 1997 to provide for the transfer of risk for general liability. The limit of insurance provided on June 30, 2003 was \$4 million, combined single limit occurrence. The insurance deposit paid for this coverage was \$4,179.

The KLC Municipal Risk Management Association is a pool of cities that have formed an insurance group. Each member city pays into the pool annual deposits. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize loss.

Additionally, the City has all risk property insurance as indicated on a list of scheduled property. Deposits to the Association in the amount of \$1,359 provide replacement cost coverage with varying deductibles as scheduled. The City also has environmental liability insurance.

The City enrolled in the Association's Workers' Compensation Insurance Program in April 1991. The coverage provides statutory benefits for all City employees plus \$4 million employer's liability. The related deposit for this coverage was \$2,248.

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverage.

ATTACHMENT D

**CITY OF CRESTVIEW HILLS**

**Independent Audit**

An annual independent audit of the City's financial statements was conducted. The accounting firm of Rankin, Rankin and Company was appointed by the Mayor to perform the annual audit. The auditors' report on the general-purpose financial statements and individual fund statements and schedules are included in the financial section of this report.

**Awards**

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 years ended June 30, 2001 and 2002. 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 both generally accepted accounting principles 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.

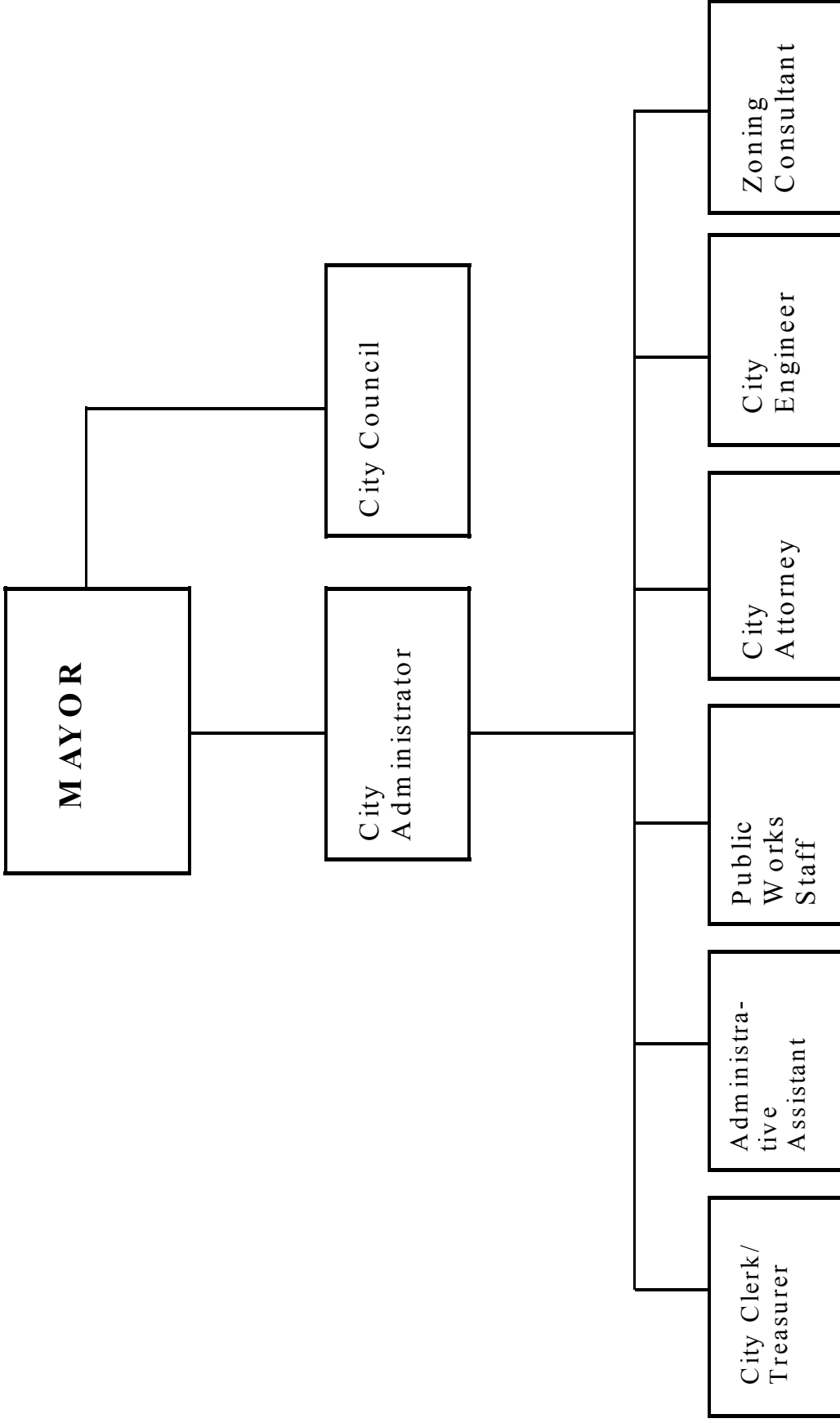
The GFOA and the Department for Local Government (to which all CAFRs must be submitted within the State of Kentucky) have recognized Crestview Hills as the first city in the State of Kentucky to become compliant and one of the first in the country.

We would like to extend appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor, City Administrator, and governing council for their support in maintaining the highest standards of professionalism in the management of Crestview Hills finances.

Respectfully submitted,



C.R. Wirthlin,  
City Clerk/Treasurer



*City of Crestview Hills Organizational Chart - FY03*

# **City of CRESTVIEW HILLS**

## **LIST OF PRINCIPAL OFFICIALS**

Mayor - Council Form of Government

### **CITY COUNCIL**

PAUL W. MEIER  
Mayor

FRANK SOMMERKAMP, Jr.  
Mayor Pro Tem

TERRI JAMESON  
Council Member

RALPH LAIRD  
Council Member

DAVID KRAMER  
Council Member

JOSEPH MALONEY  
Council Member

HAROLD A. RIES  
Council Member

### **CITY ADMINISTRATION**

DAN GROTH  
City Administrator

C. R. Wirthlin, City Clerk/Treasurer  
Judy Rae Cox, Administrative Assistant  
Jeff Mando, City Attorney  
Russell Cloyd (NKAPC), Building Inspector  
Walter Blair, Zoning Consultant  
Jim Connelly, Public Works Director  
Jim Berling, City Engineer

