

# **COST ALLOCATION PLAN**

**Northern Kentucky Area Development District**

**Fiscal Year 2015**

**July 1, 2014 – June 30, 2015**

**Northern Kentucky Area Development District**

**22 Spiral Drive**

**Florence, KY 41042**

**(859) 283 - 1885**

**[nkadd.org](http://nkadd.org)**

## **I. Introductory Statements**

### **A. General**

The Northern Kentucky Area Development District (NKADD) has served the counties of Boone, Campbell, Carroll, Gallatin, Grant, Kenton, Owen and Pendleton since its organization in 1971. NKADD is governed by its Board of Directors, which is composed of the Judge Executives of each of the counties served, Mayors of the major cities and non-elected citizen members from the District. NKADD's mission is to provide unified support to the District's economic development and growth strategies. NKADD operates as a Special District/Local Government.

Local governments do not ordinarily submit their cost allocation plans to the federal government for prior approval, as do the states. Instead, the plans are retained by the local governments for subsequent examination by federal auditors. However, the Area Development Districts of the Commonwealth of Kentucky are required under the Kentucky Joint Funding Administration program to submit their cost allocation plans to the Governor's Office for Local Development for review and approval.

The charging of direct and shared costs against federal grants requires the preparation of a cost allocation plan. This plan is set forth in this statement for the Northern Kentucky Area Development District and adheres to the procedures set forth by the Department of Local Government, 2 CFR Part 225 (formerly OMB Circular A-87) and KRS 147.050. Annual audits are performed by outside auditors in compliance with OMB Circular No. A-133.

### **B. Operating Policies**

The Board of Directors of NKADD has adopted operating policies covering the following topics:

- Personnel Policies
- Purchasing and Procurement Policies
- Board and Staff Travel Policies
- Meeting Expense Policies
- Credit Card Policies

### **C. Other**

NKADD uses a computer system for accounting purposes. The financial records are maintained utilizing the FundWare (Blackbaud), Pro Edition Version 7.70 computer software.

The FundWare software program consists of nine major components:

1. Accounts Receivable
2. Accounts Payable
3. Payroll/Personnel
4. General Ledger
5. Cost Allocation Financial Reporting
6. Allocation Management
7. Budget Forecasting
8. Budget Control
9. Project/Grant Financial Reporting

# Northern Ky Area Dev District Grant Listing

Fund	Grant	Div	Description
102	102	1	Local Funds
150	120	4	Economic Development
150	125	4	CDBG
102	136	5	Seasongood Intern
150	140	5	Management Services
150	150	1	Program Administration
153	153	1	Broadband - KADD
320	300	2	Title IIIB Administration
320	301	2	Title III-B Coordination
320	302	2	Con Meals C-2 Center Ops
320	304	2	Title III-D Coordination
320	307	2	Ombudsman
320	308	2	Family CareGiving Administration
320	309	2	Family CareGiving Program
326	310	2	SHIP Administration
326	311	2	Title 3 ADRC (320-301)
326	312	2	MIPPA
320	314	2	Grandparents Administration
320	315	2	Grandparents Support
321	320	2	Homecare Administration
321	321	2	HC HDM Center Ops
320	324	2	Center Operations
320	325	2	Coordination
322	330	2	Adult Day/Alzheimers Administration
322	331	6	ADC Services
102	333	3	NK Reg. Nursing Expansion
324	340	2	Personal Care Attendant Administration
102	435	5	NKCCAA Salary Survey

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## Northern Ky Area Dev District Grant Listing

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<b>Fund</b>	<b>Grant</b>	<b>Div</b>	<b>Description</b>
102	460	5	Management Services Local
102	498	5	Ethics Authority
134	552	6	CDO Program
134	553	1	CDO Finance
334	554	2	ABI Trust
321	604	6	Homecare Assessment
321	605	6	Homecare Case Management
320	608	6	Title III Assessment
320	609	6	Title III Case Management
318	615	6	CSFP
325	618	6	TEFAP
325	619	6	Service Coordination
102	621	6	Technology Fund
102	622	2	Aging Division Technology
322	623	6	ADC Assessment/Case Mgt.
492	624	3	Energy Industry Partnership
102	625	2	Covington Housing Authority
420	630	3	WIA Admin
411	632	3	WIA Adult Program
411	633	3	In-School Youth
411	634	3	WIA Dislocated Worker Program
411	635	3	WIA - JAG
411	636	3	WIA Out Youth Program
412	637	3	Pre-Apprenticeship
485	638	3	Youth Build
473	639	3	RRAA
410	645	3	TANF Summer Empl 2010
170	660	4	Transportation

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## Northern Ky Area Dev District Grant Listing

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<b>Fund</b>	<b>Grant</b>	<b>Div</b>	<b>Description</b>
170	661	4	Highway Safety
170	663	4	NKY Transit Plan
112	674	3	KY Works
484	675	3	HOPE VI
487	676	3	RIG
411	683	3	WIA Incentive
311	684	3	D.J.J.
329	690	2	KHC Van/Computer Admin
329	691	2	KHC Van/Computer Project
329	692	2	Planks I Admin
329	693	2	Planks I Services
329	694	2	Housing Admin (new)
329	695	2	Planks II Services
329	698	2	TBRA Grant
466	699	3	Comair NEG
102	707	2	Senior Expo
180	712	5	Revolving Loan Fund - Admin
180	713	5	Revolving Loan Fund - Loans
181	714	5	Brownfield RLF Admin
102	727	2	R C Durr Foundation - ADRC
102	808	2	Berning Foundation
102	809	2	Berning Found. Admin.
102	810	6	CM Berning Foundation
102	811	6	Campbell Co. Case Management
102	812	6	Boone Co. Case Management
102	813	6	Kenton Co. Case Management
102	820	5	Ryland Heights Admin
102	822	4	Owenton Comp Plan

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## Northern Ky Area Dev District Grant Listing

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<b>Fund</b>	<b>Grant</b>	<b>Div</b>	<b>Description</b>
102	823	4	L'Oreal CDBG
102	824	4	Subdistrict M CDBG
155	825	4	KADIS
102	826	4	Pendleton Co.Safe Room
102	827	4	Edgewood CAO Search
102	831	4	Heroin Impact Project
102	832	4	Duke Energy BR&E
102	833	4	CCFD Comp Plan
102	834	4	Pendltn Co. Library CDBG Admin
102	835	4	Owenton Rural Water
102	841	4	Campbell Co. EECBG
102	843	4	Williamstown KIA Admin
102	844	4	Kenton Co. Recovery II CDBG
102	862	4	Eagle Creek KIA
102	863	4	Gallatin Co. Sewer HB608
102	864	4	Warsaw Sewer HB380
102	865	4	Warsaw SPAP
102	866	4	No. Pendleton KIA
102	867	4	Warsaw Sewer CDBG
102	868	4	East Pendleton CDBG
102	869	4	Florence Sr Ctr CDBG
177	870	4	Brownfield Grant
102	872	4	Ludlow CDBG
102	875	5	Innovation Center
102	877	4	Carroll Co. EECBG
102	878	4	Craig's Creek KIA
102	879	5	Pendltn Co. Industrial Authority
102	880	4	Owenton Zoning Ordinance

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## Northern Ky Area Dev District Grant Listing

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<b>Fund</b>	<b>Grant</b>	<b>Div</b>	<b>Description</b>
102	882	5	Southbank Partners
102	885	4	Warsaw Water CDBG
102	887	4	Lake Williamstown
102	893	4	Warsaw KIA
102	894	5	Conservation District Admin
102	895	4	Elsmere Senior Ctr CDBG
102	896	4	Warsaw Sewer AARA
102	897	4	Gallatin Co.CDBG-R
102	898	4	Ludlow ERR
102	904	4	CDBG TBD
145	920	4	KY Housing Loan Admin
173	944	4	KOHS/NIMS
173	947	4	KOHS Homeland Sec 1/1-6/30/08
172	952	4	KIA Water Supply Planning
174	956	4	Hazard Mitigation Plan Update
171	971	4	GIS Services
171	973	4	KYTC Centerline
102	984	4	Pendleton Co. Admin

**Northern Kentucky Area Dev. Dist.**

**Fiscal Year 2015**

*Revenue Accounts*

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<i>Acct</i>	<i>Description</i>
4000	Pass-Thru Revenue
4100	Federal Revenue
4101	Federal Revenue
4102	Federal Revenue
4103	Federal Revenue
4104	Federal Revenue
4105	Federal Revenue
4106	Federal Revenue
4107	Federal Revenue
4108	Federal Revenue
4109	Federal Revenue
4110	Federal Revenue
4111	Federal Revenue
4112	Federal Revenue
4113	Federal Revenue
4114	Federal Revenue
4115	Federal Revenue
4120	Federal Revenue
4121	Federal Revenue
4122	Federal Revenue
4123	Federal Revenue
4124	Federal Revenue
4125	Federal Revenue
4126	Federal Revenue
4190	Future Years Revenue
4191	Prior Years Revenue Used
4200	State Revenue
4201	EDA State Match
4202	CDBG State Match
4203	DLG Unmatched
4204	State Revenue - DLG Balance
4290	Future Years Revenue
4291	Prior Years Revenue
4300	Local Revenue
4301	Local Revenue
4302	Local Revenue

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<i>Acct</i>	<i>Description</i>
4303	Local Revenue
4304	Local Revenue
4305	Interest Earned
4306	Local Groups
4310	Annual Meeting
4315	Local Contributions/City & County
4390	Future Years Revenue
4391	Prior Year Revenue Used
4400	Interest Revenue
4500	In-Kind Match
4550	Cash Match
4600	Other Match
4700	NKADD Program Match
4750	Local Funds Applied
4800	Deferred Revenue - Prior Year
4900	Miscellaneous Revenue
4901	Registration Fees
4902	User Fees

**Northern Kentucky Area Dev. Dist.**

**Fiscal Year 2015**

*Expense Accounts*

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<i>Acct</i>	<i>Description</i>
5110	Salary
5210	Salary Burden
5310	Auditing
5320	Legal
5330	Amer. Fundware Software Support
5340	Space Rent
5345	Contractual Insurance
5350	Contractual Follow-up
5355	Consultant Services
5360	Contractual Personnel
5410	Travel - Staff
5420	Travel - Board
5430	Travel COAging
5505	Depreciation Reserve Account
5510	Mortgage Principal
5515	Mortgage Interest
5520	Utilities
5530	Janitorial
5540	Building Maintenance
5705	Adv/Personnel
5710	Computer Software/Hardware
5715	Printing/Copies
5718	Postage
5719	Membership Dues
5720	Registration
5725	Workshop Expenses
5730	Info Tech
5735	Supplies
5740	Publications
5745	Telephone
5750	Temporary Personnel
5755	Council/Committee Expenses
5760	Equipment Maintenance
5763	Warehouse Deliveries
5765	Training
5770	Other
5773	Depreciation

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<i>Acct</i>	<i>Description</i>
5780	Organizational Dues
5785	Annual Meeting
5786	Board/Committee Meetings
5787	Miscellaneous Local
5810	Equipment
5815	Equipment < \$500
5850	Section 125 Administration
5860	Employee Anniversary Bonuses

## II. The Plan

The Northern Kentucky Area Development District (NKADD) through this document explains its process of identifying, accumulating, and distributing costs to program work elements and defines the method used for distribution of common expenses to grants and authorized program work elements. This plan has been reviewed and adopted by the Board of Directors of the Northern Kentucky Area Development District.

Before this cost allocation plan could be developed, it was necessary to develop a NKADD financial management system to include: (1) an integrated accounting system; (2) an accrual method of accounting; and (3) a method of distributing direct labor costs to program work elements on the basis of time expended on each work element.

Once the above tasks were accomplished, the next step was to identify which costs were to be consistently treated as direct and which as shared. The shared costs of a program are those costs not readily identifiable with a particular program itself, but nevertheless incurred by NKADD for the joint benefit of all the programs carried on by the organization. In theory, all costs might be charged directly. Practical difficulties preclude such an approach. Therefore, direct costs are those that can be identified with and benefit a particular program. In identifying the direct and shared costs, NKADD divided the line item elements of expenditure into four groups as follows:

- (1) Those that are to be treated and identified as direct costs only;
- (2) Those that are to be treated and identified as shared costs;
- (3) Those, depending upon the purpose of the expense, may be treated and identified either as direct and/or shared costs; and
- (4) Those, depending upon the nature of the expense, are to be treated and identified as local costs only.

We believe the following costs fall within the classifications listed above:

- (1) Salary - All salaries of professional employees are to be charged as a direct cost to the program element(s) in which their work is attributable. The salaries of the Executive Director and any other administrative personnel can be charged in part or in whole as a direct cost or as a shared cost.
- (2) Employee Burden - All employee burdens that can be specifically related to an employee, whose salary is being charged as a direct cost, is also to be charged as a direct cost. Any employee burden which is related to an employee, whose salary is being charged as a shared cost, is to also be charged as a shared cost.
- (3) Temporary Personnel - There are times when it is necessary to hire extra personnel to help support our work staff. This generally applies to the secretarial staff. However, occasionally there are other instances. In all cases the costs are charged directly to the elements involved or shared, whichever is applicable.
- (4) Accrued Annual Leave - Leave earned but not taken as of the end of the fiscal year is estimated to approximate accrued annual leave at the beginning of the fiscal year. Therefore, no additional accrual is deemed necessary. However, should an accrual be necessary, then that leave which can be specifically related to an employee whose salary is being charged as a direct cost is also to be charged as a direct cost. Any such leave which is related to an employee whose salary is being charged as a shared cost is to also be charged as a shared cost.

- (5) Consultant Contracts - All consultant contracts, whose content is directly attributed to specific work elements, are to be charged as a direct cost to the program(s) in which they apply.
- (6) Contractual – Some services needed are done on a contractual basis. In all instances the costs are charged direct to elements or shared, whichever is applicable.
- (7) Printing - All printing costs include publications, ads for personnel and advertising which are directly attributable to documents within a specific work element are to be charged as a direct cost. This specifically applies to any printing that is necessary on required plans and reports. Our copier is equipped with a counting device that allows us to track the number of copies made for each work element on a monthly basis. Subsequently, these charges are direct costs. All miscellaneous printing costs are to be charged as shared costs.
- (8) Travel - All travel costs which are directly attributable to an employee whose salary is being charged as a direct cost are also to be charged as direct costs, if travel is specifically related to the employee's work program. All other travel costs are to be charged as shared costs.
- (9) Vacation, Sick and Holiday Leave - All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also to be charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also to be charged as a shared cost.
- (10) Registration - All registration costs that are directly attributable to a specific work element are to be charged as direct costs. All miscellaneous registration costs are charged as shared costs.
- (11) Accounting and Legal Fees - All accounting and legal fees are to be charged as a shared cost, except in the case of a specific program or grant in which case these fees should be charged against that specific program or grant.
- (12) Office Space and Leasehold Improvements - All building/office space rental expenses and building improvements are to be charged as shared costs.
- (13) Equipment Purchase/Rental - The purchase of equipment and/or rental may be charged, if allowable, as a direct cost to the applicable program element(s). All other equipment purchases and/or rental is to be charged as a shared cost. Maintenance and service for all equipment is a shared cost.
- (14) Computer Related Expenses - Expenses incurred that relate to the various computer programs used by the agency can be charged in part or in whole as direct cost or as a shared cost.

- (15) Consumable Supplies - The purchasing of ordinary office supplies in economic quantities requires that more than those that are needed in any one instance should be bought at one time. However, the amount of money involved does not justify the keeping of stores and inventory records or the issuance of requisition forms for each pencil used. The office supplies are kept at a central point with the Assistant Office Manager being responsible for making sure that adequate supplies are on hand. Again, this is an example of an item that could cost more to keep up with than the item would cost. Also, since the basis for distributing shared costs is to be direct salary costs, it would seem that if an element used more people, it would use more supplies. Therefore, this item is a shared cost unless specific consumable supplies are purchased for a work element; in such case, those specific supplies are a direct charge to that work element.
- (16) Communications – Like consumable supplies the cost of accounting for each telephone call or stamp used would prohibit a direct costing system. All communications costs such as telephone and postage is to be charged as shared costs.
- (17) Insurance and Bonding – All general insurance and bonding for the agency will be a shared cost. Insurance needed and purchased for a specific program such as WIA and Summer Youth are charged directly to those elements.
- (18) Organizational Dues, Training and Miscellaneous Costs – These costs represent items which benefit all work elements and they mainly will follow directly the cost of salaries in an element. Furthermore, the effort involved in charging these direct would not warrant the results.
- (19) Local Expenses – Local funds are to be used to cover expenses that should not be purchased with either state or federal money. Such items designated as local expenses include gifts, interest, food for meetings, and other miscellaneous expenses.

In summary, the following is a description of accounting policies that were followed in adapting the accounting system of the Northern Kentucky Area Development District to the requirements of OMB Circular No. A-87 (Relocated to 2 CFR, Part 225).

1. Direct salary and personnel burden costs shall include the actual costs of the employee in that work element.
2. When a work element has direct salaries, it must be charged with its proportionate share of the shared cost.
3. Shared costs will be accumulated in a pool and distributed to the work elements in relationship to the actual direct salary and personnel burden costs of that work element.
4. Costs that can be identified specifically with a particular work element will be charged directly to that work element.

5. Shared time not only is time that is fragmented, but some functions, such as payroll preparation; general administration and receptionist duties are shared in their nature. This time will be allocated to the various work elements through the shared cost pool.
6. Costs that cannot be charged to a particular work element because of the terms of a grant cannot be prorated to the other cost objectives.

The next step was to choose a basis on which to allocate the shared expense. NKADD uses as its base the relationship of total actual shared costs to actual direct salaries and personnel burden. Such a base is in accordance with the instruction of the previously mentioned federal guidelines. To achieve fairness to all funders, we have followed 2 CFR Part 225, Appendix E, part F.3. which states:

“3. Indirect cost allocations not using rates.

In certain situations, a governmental unit, because of the nature of its awards, may be required to develop a cost allocation plan that distributes indirect (and in some cases, direct) costs to the specific funding sources. In these cases a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for review, negotiation, and approval.”

Because the mix of funding changes materially from one year to another, it would be unfair to charge a fixed rate that may penalize some funders and reward others, while allocating inaccurate amounts that cannot be adjusted in a future period. We continue to use the historically accepted method of allocating actual costs to maintain the fairness for all funders.

A Statement of Allocated Costs Claimed is presented annually in the audited Financial Statements, listing the shared costs allocated in the fiscal year (Reference page 97 of the Financial Statements for Year Ended June 30, 2013). For the year ended June 30, 2013 the allocated costs were \$597,063 and direct salary and personnel burden costs were \$4,238,134, resulting in a percentage allocation of 14.09%. The prior year resulted in a percentage of 29.58%. These are historical results and should not be used in forecasting future results.

It should be pointed out that each time a new revenue source is received or expense incurred the cost allocation figures represented in this document change; however, the methods presented for allocating costs remain consistent.

Establishment of the cost allocation plan also requires the maintenance of labor distribution records to form the base for allocating salaries and shared costs to the various work element programs.

Supporting documents exist in various forms. The following is a list of documents necessary for support transactions:

1. Checks
2. Purchase Orders
3. Invoices
4. Contracts
5. Time and Travel Reports
6. Payroll Distribution Sheets
7. In-Kind Vouchers
8. Written Policies
9. Bank Reconciliations
10. Bank Statements
11. Letters of Authorization
12. Board of Directors Meeting Minutes
13. Cash Receipts/Deposit Slips
14. Petty Cash Disbursement Slips
15. Check Registers

A complete file of all supporting documentation is maintained by NKADD. This file will be made available to the Certified Public Accountants who perform NKADD's audit at the close of the fiscal year, and will be accessible to the various funding agencies; the Department for Local Government, the Kentucky State Auditor, the Federal Lead Agency, and the Comptroller General of the United States.

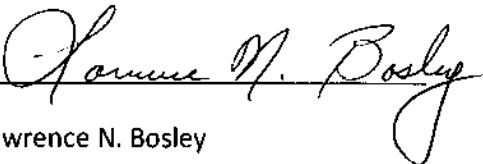
## CERTIFICATE OF COST ALLOCATION PLAN

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal for the fiscal year ending June 30, 2015 to establish cost allocations or billings for the same period are allowable in accordance with the requirements of OMB Circular A-87, (Relocated to 2 CFR, Part 225) "Cost Principles for State, Local and Indian Tribal Governments," and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Northern Kentucky Area Development District



Lawrence N. Bosley

Finance Director

Dated: 1/29/14

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF ALLOCATED COSTS CLAIMED  
YEAR ENDED JUNE 30, 2013**

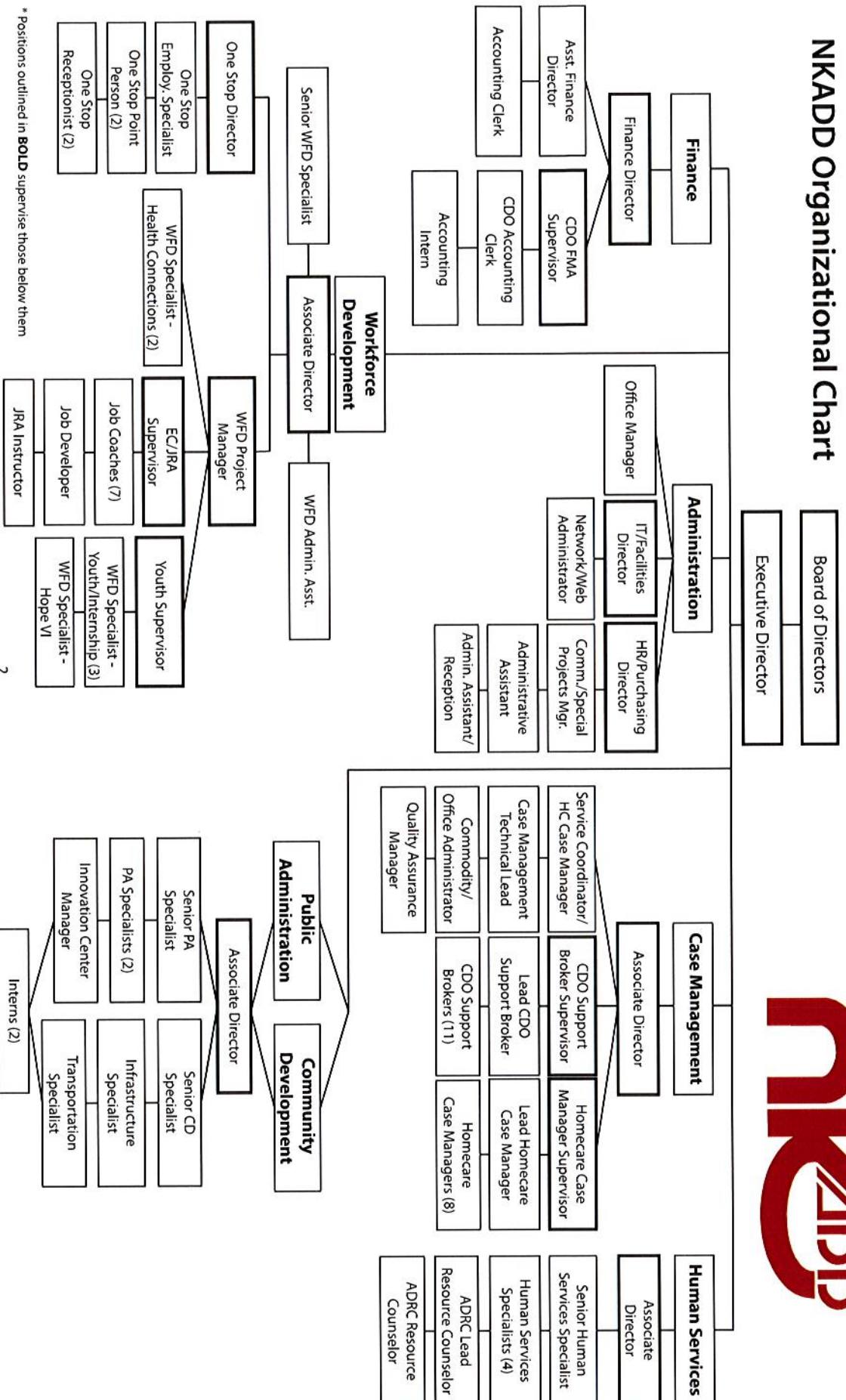
	<u>Costs Claimed</u>
<b>Shared Expenses:</b>	
Salaries	\$ 72,892
Employee benefits	18,981
Travel	12,449
Contractual	74,984
Other	
Interest	65,098
Miscellaneous	68,773
Depreciation	48,494
Insurance	102,155
Postage	10,618
Telephone	7,742
Consumable supplies	31,911
Utilities	26,086
Computer software and hardware	20,893
Janitor service	9,743
Organizational dues	1,866
Registration	1,281
Marketing and advertising	713
Equipment service	<u>22,384</u>
Total other	<u>417,757</u>
<b>Total shared expenses</b>	<b>597,063</b>
Shared expenses allocated (1)	<u>(597,063)</u>
<b>Shared expenses over applied</b>	<b><u>\$ -</u></b>

**Explanatory Notes:**

- (1) Shared costs are distributed on the basis of total direct salaries and employee fringe benefits. The total shared expenses allocated is approximately 14% of total direct salaries and employee fringe benefits.

See independent auditors' report on and notes to supplementary information.

# NKADD Organizational Chart





FY 2015 CAP DOCUMENTATION FORM

NAME of ADD: Northern KY Area Development District

Individual completing form: Lawrence N. Bosley

The plan submitted is a(n) :

Cost Allocation Plan (CAP)     Indirect Cost Rate Proposal (ICRP)     Our plan is blended

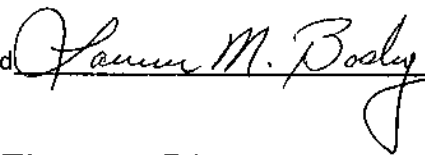
NOTE: Some plans may be blended and have elements of both a CAP and ICRP. These plans should meet all the elements of a CAP and the any additional ICRP elements applicable to the entity.

Please verify these required items are included in your CAP or ICRP:

- Introductory Statement explaining the plan and any specific information
- Statement assuring the district has board-approved operation policies.
- Roster of all work elements
- Chart of Accounts
- Formal books of entry
- Organization Chart sufficiently detailed to show operations
- Copy of audited financial statements or Executive Budget
- Certification of compliance with federal requirements, including reference to compliance with OMB Circular A-87.
- A brief description of each allocated central service/shared costs
- Identification of the unit rendering the allocated/shared service and operations receiving the Service
- Items of Expense included in the cost of allocated/shared services. (allowable per OMB Circular A-87)
- Description of method used to distribute costs to all benefiting cost objectives (including federal programs).

No changes in methodology of allocation or classification of costs from our FY 2014 CAP

Changes from FY 2014 CAP are as specified:

Signed  Print Name Lawrence N. Bosley

Title Finance Director Date 1/29/14