

COST ALLOCATION PLAN

Northern Kentucky Area Development District

Fiscal Year 2019

July 1, 2018 – June 30, 2019

Northern Kentucky Area Development District

22 Spiral Drive

Florence, KY 41042

(859) 283 - 1885

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 Purpose Government Entity.

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 Kentucky Department for Local Government for review and maintaining in their files.

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 for Local Government, Uniform Guidance 2 CFR Part 200 (formerly OMB Circular A-87) and KRS 147.050. Annual audits are performed by outside auditors in compliance with the same Uniform Guidance 2 CFR 200.

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 AccuFund Accounting Suite Application.

The AccuFund software program consists of nine major components:

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

Northern Kentucky Area Dev. Dist.**Fiscal Year 2019****WORK ELEMENT LISTING BY WORK ELEMENT**

Fund No.	GrantNo	Description	StartDate	EndDate
102	102	Local Funds	7/1/2006	
150	120	Economic Development	7/1/2006	
150	125	CDBG	7/1/2006	
102	136	Seasongood Intern	7/1/2006	
150	140	Management Services	7/1/2006	
150	150	Program Administration	7/1/2006	
153	153	Broadband - KADD	7/1/2006	
320	300	Title IIIB Administration	7/1/2006	
320	301	Title III-B Coordination	7/1/2006	
320	302	Con Meals C-2 Center Ops	7/1/2006	
320	304	Title III-D Coordination	7/1/2006	
320	305	Elder Abuse	7/1/2006	
320	306	Ombudsman VII	7/1/2006	
320	307	Ombudsman	7/1/2006	
320	308	Family CareGiving Administra	7/1/2006	
320	309	Family CareGiving Program	7/1/2006	
326	310	SHIP Administration	7/1/2006	
326	311	Title 3 ADRC (320-301)	7/1/2006	
326	312	MIPPA	7/1/2006	
326	313	MIPPA 2	7/1/2006	
320	314	Grandparents Administration	7/1/2006	
320	316	III-C1 Admin	7/1/2006	
320	317	III-C2 Admin	7/1/2006	
321	320	Homecare Administration	7/1/2006	
321	321	HC HDM Center Ops	7/1/2006	
321	322	Homecare Services	7/1/2006	
321	323	LTC Ombusman	7/1/2006	
320	324	Center Operations	7/1/2006	
320	325	Coordination	7/1/2006	

Northern Kentucky Area Dev. Dist.**Fiscal Year 2019****WORK ELEMENT LISTING BY WORK ELEMENT**

Fund No.	GrantNo	Description	StartDate	EndDate
320	327	Chronic Disease	7/1/2006	
322	330	Adult Day/Alzheimers Admini	7/1/2006	
322	331	ADC Services	7/1/2006	
326	335	IAO	7/1/2016	
326	336	Health Benefits Exchange	7/1/2006	
322	337	Program Devel. & Implement	7/1/2006	
322	338	Prgm Dev & Implemnt. Svcs	7/1/2006	
324	340	Personal Care Attendant Admi	7/1/2006	
332	347	OKI Mobility Manager	7/1/2006	
102	435	NKCCAA Salary Survey	7/1/2006	
102	460	Management Services Local	7/1/2006	
102	498	Ethics Authority	7/1/2006	
317	551	A&D Resource Center	7/1/2006	
134	552	CDO Program	7/1/2006	
134	553	CDO Finance	7/1/2006	
334	554	ABI Trust	7/1/2006	
317	556	IAO	7/1/2006	
317	557	FAST	7/1/2006	
321	604	Homecare Assessment	7/1/2006	
321	605	Homecare Case Management	7/1/2006	
320	608	Title III Assessment	7/1/2006	
320	609	Title III Case Management	7/1/2006	
318	615	CSFP	7/1/2006	
325	618	TEFAP	7/1/2006	
325	619	Housing Coordination	7/1/2006	
102	621	Technology Fund	7/1/2006	
102	622	Aging Division Technology	7/1/2006	
322	623	ADC Assessment/Case Mgt.	7/1/2006	
492	624	Energy Industry Partnership	7/1/2006	

Northern Kentucky Area Dev. Dist.**Fiscal Year 2019****WORK ELEMENT LISTING BY WORK ELEMENT**

Fund No.	GrantNo	Description	StartDate	EndDate
411	630	WIA Admin	7/1/2006	
411	632	WIA Adult Program	7/1/2006	
411	633	In-School Youth	7/1/2006	
411	634	WIA Dislocated Worker Progr	7/1/2006	
411	635	WIA - JAG	7/1/2006	
411	636	WIA Out Youth Program	7/1/2006	
485	638	Youth Build	7/1/2006	
410	645	TANF Summer Empl 2010	7/1/2006	
170	660	Transportation	7/1/2006	
170	663	NKY Transit Plan	7/1/2006	
112	674	KY Works	7/1/2006	
467	675	Medicaid Waiver 1115	7/1/2012	
487	676	RIG	7/1/2006	
411	683	WIA Incentive	7/1/2006	
474	684	2% Transition Funds	7/1/2006	
329	690	KHC Van/Computer Admin	1/1/2005	
329	691	KHC Van/Computer Project	1/1/2005	
329	692	Planks I Admin	7/1/2006	
329	693	Planks I Services	7/1/2006	
329	694	Housing Admin (new)	7/1/2006	
466	695	KCCGO NEG	7/1/2006	
329	698	TBRA Grant	7/1/2006	
102	707	Senior Expo	7/1/2006	
180	712	Revolving Loan Fund - Admin	7/1/2006	
180	713	Revolving Loan Fund - Loans	7/1/2006	
181	714	Brownfield RLF Admin	7/1/2006	
102	727	R C Durr Foundation - ADRC	7/1/2006	
102	765	Carrollton Util.FOCUS	7/1/2006	
178	782	SPGE Training	7/1/2006	

Northern Kentucky Area Dev. Dist.**Fiscal Year 2019****WORK ELEMENT LISTING BY WORK ELEMENT**

Fund No.	GrantNo	Description	StartDate	EndDate
102	808	Berning Foundation	7/1/2006	
102	809	Berning Found. Admin.	7/1/2006	
102	810	CM Berning Foundation	7/1/2006	
102	811	Campbell Co. Case Manageme	7/1/2006	
102	812	Boone Co. Case Management	7/1/2006	
102	813	Kenton Co. Case Management	7/1/2006	
102	818	HIRT Coordinator	7/1/2016	
102	820	Ryland Heights Admin	7/1/2006	
155	825	KADIS	7/1/2006	
102	831	Heroin Impact Project	7/1/2006	
102	832	Duke Energy BR&E	7/1/2006	
102	844	Kenton Co. Recovery II CDBG	7/1/2006	
102	851	Dayton Comp Plan	7/1/2006	
102	852	Environmental Reviews	7/1/2006	
102	853	NKPEJHI Admin.	7/1/2006	
102	854	Villa Hills Payrolls	7/1/2006	
102	866	No. Pendleton KIA	7/1/2006	
177	870	Brownfield Grant	7/1/2006	
102	874	Carrollton Comp Plan	7/1/2006	
102	879	Pendltn Co. Industrial Authorit	7/1/2006	
102	894	Conservation District Admin	7/1/2006	
102	904	CDBG TBD	7/1/2006	
145	920	KY Housing Loan Admin	7/1/2006	
173	947	KOHS Homeland Sec	7/1/2006	
172	952	KIA Water Supply Planning	7/1/2006	
174	956	Hazard Mitigation Plan Update	7/1/2006	
171	973	KYTC Centerline	7/1/2006	
102	984	Pendleton Co. Admin	7/1/2006	

Northern Kentucky Area Dev. Dist.

Fiscal Year 2019

Revenue Accounts

<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

<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 2019

Expense Accounts

<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

<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 Longevity Pay

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 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 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 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 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 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 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 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. Equipment charged as a shared cost is capitalized and depreciated. 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 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 Uniform Guidance 2 CFR Part 200 (formerly OMB Circular A-87).

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 Uniform Guidance 2 CFR Part 200, Appendix VII 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 52 of the Financial Statements for Year Ended June 30, 2017). For the year ended June 30, 2017 the allocated costs were \$541,313 and direct salary and personnel burden costs were \$4,602,310, resulting in a percentage allocation of 11.76%. The prior year resulted in a percentage of 12.75%. 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.

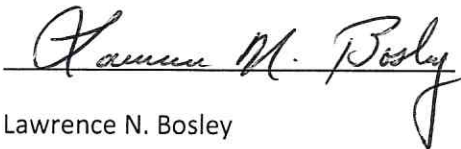
CERTIFICATE OF COST ALLOCATION PLAN

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, 2019 to establish cost allocations or billings for the same period are allowable in accordance with the requirements of Uniform Guidance 2 CFR 200 (formerly OMB Circular A-87) 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: 3/30/18

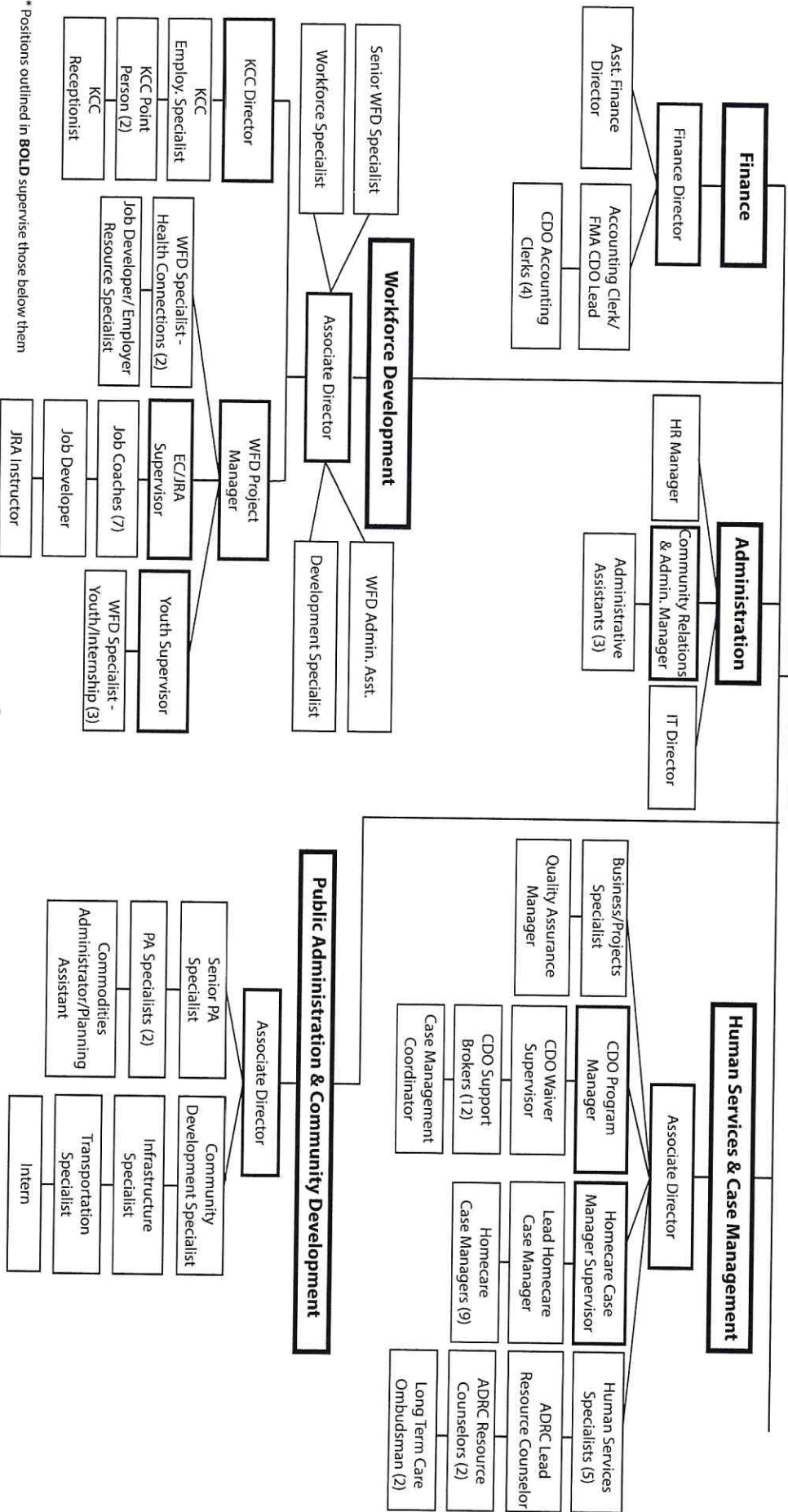
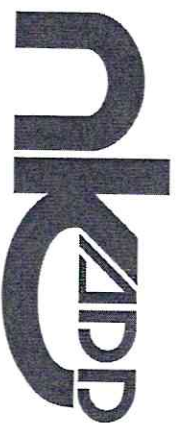
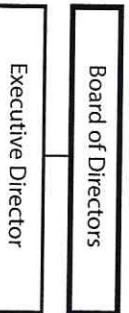
**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ALLOCATED COSTS CLAIMED
YEAR ENDED JUNE 30, 2017**

	<u>Costs Claimed</u>
Shared Expenses:	
Salaries	\$ 56,641
Employee benefits	33,117
Travel	5,608
Contractual	83,107
Other	
Financing costs	70,661
Miscellaneous	65,862
Depreciation	62,664
Insurance	53,070
Postage	6,989
Telephone	8,592
Consumable supplies	23,875
Utilities	28,218
Computer software and hardware	20,193
Janitor service	20,120
Organizational dues	1,691
Registration	804
Marketing and advertising	<u>101</u>
Total other	<u>362,840</u>
Total shared expenses	541,313
Shared expenses allocated (1)	<u>(541,313)</u>
Shared expenses over applied	<u><u>\$ -</u></u>

Explanatory Notes:

- (1) Shared costs are distributed on the basis of total direct salaries and employee benefits. The total shared expenses allocated is approximately 12% of total direct salaries and employee benefits.

NKADD Organizational Chart



* Positions outlined in **BOLD** supervise those below them