

COST ALLOCATION PLAN

Northern Kentucky Area Development District

Fiscal Year 2021

July 1, 2020 - June 30, 2021

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 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 III-B 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	305	2	Elder Abuse
320	306	2	Ombudsman VII
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
326	313	2	MIPPA 2
320	314	2	Grandparents Administration
320	316	2	III-C1 Admin
320	317	2	III-C2 Admin
321	320	2	Homecare Administration
321	321	2	HC HDM Center Ops
321	323	2	LTC Ombusman
320	324	2	Center Operations
320	325	2	Coordination

Northern Ky Area Dev District Grant Listing

Fund	Grant	Div	Description
320	327	2	Chronic Disease
322	330	2	Adult Day/Alzheimers Administration
322	331	6	ADC Services
326	335	2	IAO
326	336	2	Health Benefits Exchange
322	337	2	Program Devel. & Implement Admin
322	338	2	Prgm Dev & Implemnt. Svcs
324	340	2	Personal Care Attendant Administration
102	435	5	NKCCAA Salary Survey
102	460	5	Management Services Local
102	498	5	Ethics Authority
317	551	2	A&D Resource Center
134	552	6	CDO Program
134	553	1	CDO Finance
334	554	2	ABI Trust
317	556	2	IAO
317	557	2	FAST
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	4	CSFP
325	618	4	TEFAP
325	619	6	Housing 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

Northern Ky Area Dev District Grant Listing

Fund	Grant	Div	Description
411	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
485	638	3	Youth Build
410	645	3	TANF Summer Empl 2010
170	660	4	Transportation
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
474	684	3	2% Transition Funds
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)
466	695	3	KCCGO NEG
329	698	2	TBRA Grant
102	707	2	Senior Expo
180	712	5	Revolving Loan Fund - Admin
180	713	5	Revolving Loan Fund - Loans
181	714	4	Brownfield RLF Admin
102	727	2	R C Durr Foundation - ADRC
102	763	4	Pendl. Co. Ambulance CDBG

Northern Ky Area Dev District Grant Listing

Fund	Grant	Div	Description
102	765	4	Carrollton Util.FOCUS
178	782	4	SPGE Training
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
155	825	4	KADIS
102	831	4	Heroin Impact Project
102	832	4	Duke Energy BR&E
102	844	4	Kenton Co. Recovery II CDBG
102	866	4	No. Pendleton KIA
177	870	4	Brownfield Grant
102	874	4	Carrollton Comp Plan
102	879	5	Penditn Co. Industrial Authority
102	894	4	Conservation District Admin
102	904	4	CDBG TBD
145	920	4	KY Housing Loan Admin
173	947	4	KOHS Homeland Sec
172	952	4	KIA Water Supply Planning
174	956	4	Hazard Mitigation Plan Update
171	973	4	KYTC Centerline
102	984	4	Pendleton Co. Admin

Northern Kentucky Area Development District
Fiscal Year 2021-Revenue Accounts

<i>Acct</i>	<i>Description</i>
4100	Federal Revenue
4101	Federal Revenue
4102	Federal Revenue
4105	Federal Revenue
4110	Federal Revenue
4120	Federal Revenue
4130	Federal Revenue
4200	State Revenue
4201	EDA State Match
4202	CDBG State Match
4300	Local Revenue
4301	Local Revenue
4302	EDA State Match
4303	Local Revenue
4304	Local Revenue
4305	Local Revenue
4310	Local Revenue
4320	Local Revenue
4330	Local Revenue
4400	Local Revenue
4401	HDM Humana Money
4410	Interest Earned
4410	INTEREST EARNED
4432	INTEREST EARNED BONDS
4450	Interest Earned-Bldg Reserve
4500	Match
4515	Annual Meeting Revenue
4520	Agency Match
4610	Contributions City/County
4700	Local Revenue Applied
4800	Prior Year carryover
4801	CoA Annual Meeting
4850	Gp's Conference 677 Carryover
4900	Miscellaneous Revenue
4999	USDA Commodities Received

Northern Kentucky Area Dev. Dist.
Fiscal Year 2021 Expense Accounts

Acct Description

5000 Pass-Through Expense
5110 Salary
5210 Salary Burden
5310 Audit/Accounting Fee
5320 LEGAL FEES
5330 Accounting Software Support
5340 Rent
5341 Entertainment
5345 Insurance
5350 Grant Co Rent
5355 Consultant Services
5360 Contractual Personnel
5410 Travel - Staff
5420 Travel - Board
5455 Meeting Expense
5505 Depreciation Expense
5506 Depreciation Exp. Shared Items
5510 Mortgage Principal
5515 Building Interest Payment
5520 Utilities
5530 Janitorial
5540 Bldg Maint. - Inside
5545 Bldg Maint. - Outside
5550 Bond Issuance Costs Amort
5700 Other
5705 Advertising
5706 Marketing
5710 Computer Software Hardware Services
5715 Printing & Copier Costs
5718 Postage/Shipping
5719 Membership Dues
5720 Registration
5725 Workshop Expenses
5735 Supplies
5736 Supplies-T Shirts
5740 Publications
5744 Internet Services
5745 Telephone Services
5746 Cell Phone - Staff
5750 Temporary Personnel
5755 Committee/Meeting Expenses
5760 Equipment Maintenance
5765 Training
5766 Monthly Services
5770 Other

Northern Kentucky Area Dev. Dist.
Fiscal Year 2021 Expense Accounts

Acct Description

5771 Employee Quarterly Outings
5780 Organizational Dues
5780 ORGANIZATIONAL DUES
5781 Direct Printing Applied
5784 WIOA Awards
5785 Annual Meeting Expenses
5786 Board/Committee Meetings
5810 Equipment (Over \$1500)
5812 Flex Spending Expenses
5815 Equipment (Under \$1500)
5850 Section 125 Administration
5900 Uncollectible Government Funds
5904 Shared Cost Recovered
5906 Shared Cost Recovered
5910 Shared Cost Recovered
5999 Contingency

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 60 of the Financial Statements for Year Ended June 30, 2019). For the year ended June 30, 2019 the allocated costs were \$725,593 and direct salary and personnel burden costs were \$4,540,090, resulting in a percentage allocation of 15.98%. The prior year resulted in a percentage of 15.99%. 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.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ALLOCATED COSTS CLAIMED
YEAR ENDED JUNE 30, 2019**

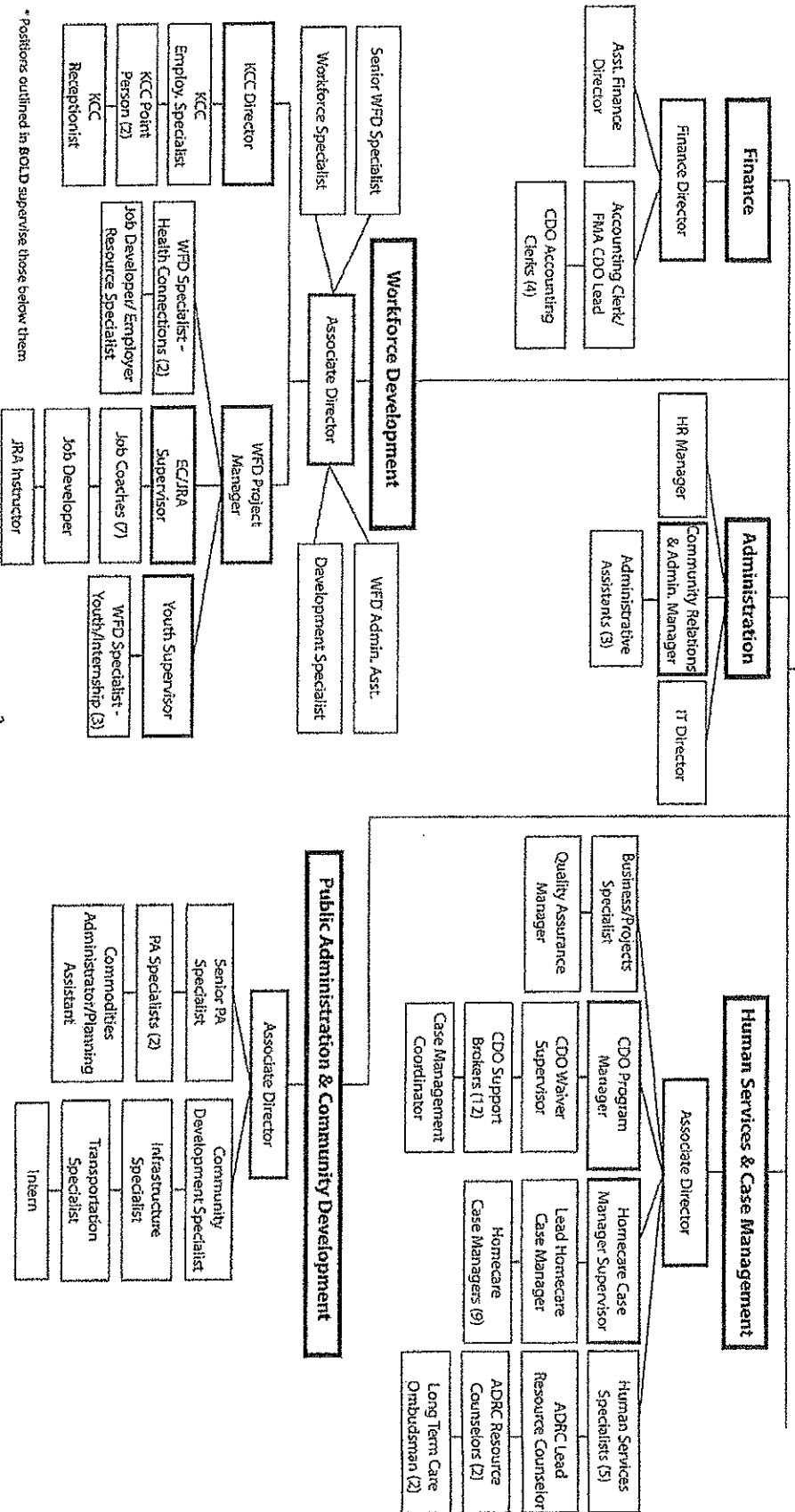
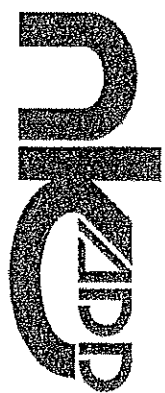
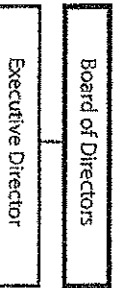
		<u>Costs Claimed</u>
Shared Expenses:		\$ 75,738
Salaries		18,728
Employee benefits		7,821
Travel		115,725
Contractual		
Other		
Financing costs	\$ 66,628	
Miscellaneous	105,363	
Depreciation	107,445	
Insurance	88,734	
Postage	6,371	
Telephone	8,999	
Consumable supplies	22,967	
Utilities	31,061	
Computer software and hardware	44,695	
Janitor service	18,695	
Organizational dues	3,591	
Registration	860	
Marketing and advertising	<u>2,172</u>	
Total other		<u>507,581</u>
Total shared expenses		725,593
Shared expenses allocated (1)		<u>(725,593)</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 16% of total direct salaries and employee benefits.

The accompanying notes are an integral part of this statement.

NKADD Organizational Chart



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


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, 2020 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



Spencer Rodgers
Finance Director