

# **COST ALLOCATION PLAN**

**Northern Kentucky Area Development District**

**Fiscal Year 2022**

**July 1, 2021 – June 30, 2022**

**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 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 Development District  
Fiscal Year 2022 - Grant Listing**

<b>Fund</b>	<b>Grant</b>	<b>Description</b>	<b>Division</b>
102	102	Local Funds	1
102	136	Seasongood Intern	5
102	435	NKCCAA Salary Survey	5
102	460	Management Services Local	5
102	498	Ethics Authority	5
102	622	Aging Division Technology	2
102	626	Butler Foundation	2
102	707	Senior Expo	2
102	709	Senior Games	2
102	808	Berning Foundation	2
102	809	Berning Foundation Admin	2
102	813	LTC Kenton County FC	6
102	821	OCCATI	1
102	828	Heroin Helpline	1
102	829	Public Transit	4
102	831	Heroin Impact Study	1
102	844	Kenton Co. Recovery Project II	4
102	851	Dayton Comp Plan	4
102	852	Environmental Reviews	4
102	853	NKPEJHI Admin	4
102	854	Villa Hills Payrolls	4
102	894	Conservation Dist. Admin.	4
102	942	Owenton CDBG	4
102	943	Carroll Co ED CDBG Admin	4
102	945	Obbie Cook Owen Co CDBG	4
102	946	CDBG-CV Admin	4
102	957	C.R.I.K.	5
102	984	Pendleton Co. Admin.	4
112	674	KY Works	3
114	686	Jobs Plus	3
116	630	Lift Up Admin	3
116	640	Lift Up Program	3
117	679	SNAP E&T	3
134	552	CDO Finance	1
150	120	Economic Development Admin	4
150	121	EDA Cares Planning	4
150	125	CDBG	4
150	140	Management Services	5
150	150	Program Administration	1
161	161	Rise	1
162	162	i6	1
170	660	Transportation Planning	4
170	663	NKY Transit Plan (5304)	4
171	664	Gallatin County Revenue Study	4
171	973	KYTC Centerline	4

**Northern Kentucky Area Development District  
Fiscal Year 2022 - Grant Listing**

<i>Fund</i>	<i>Grant</i>	<i>Description</i>	<i>Division</i>
172	952	KIA Water Supply Planning	4
173	947	KOHS/Homeland Sec	4
174	956	Hazard Mitigation	4
177	870	LRG Brownfield Petroleum Assess	4
180	712	RLF - Administration	5
181	712	Brownfields RLF Admin	4
181	714	EDA Cares RLF Admin	5
317	557	FAST	2
318	615	CSFP (Cheese Supplem. Food Prgm	4
320	300	Area Agency Admin III-B	2
320	301	Supportive Services III-B	2
320	302	Congregate Meals III-C1	2
320	304	Disease Prev/Health III-D	2
320	305	Elder Abuse Title VII	2
320	306	Ombudsman Title VII	2
320	307	Ombudsman Education	2
320	308	Family Caregiving Admin	2
320	309	Family Caregiver Support Prog.	2
320	316	Congregatte Meals Admin	2
320	317	HDM Admin	2
320	326	TIIB Ombudsman	2
321	320	Homecare Administration	2
321	322	Homecare Social Services	2
321	323	LTC Ombudsman	2
324	340	PCAP - Administration	2
325	618	TEFAP	4
325	619	Trade Mitigation - USDA	4
326	310	SHIP Admin	2
326	312	MIPPA (7/1-9/30)	2
326	313	MIPPA (10/1-6/30)	2
326	318	Medicaid ADRC	2
332	348	Mobility Position Yr 2	2
334	552	Consumer Directed Option	6
441	630	WIOA Admin 270LA21	3
441	632	WIOA Adult Prog 270AD21	3
442	630	WIOA Admin 273LA21	3
442	632	WIOA Adult Prog 273AD21	3
443	630	WIOA Admin 272LA21	3
443	634	Disloc Worker 272DW21	3
444	630	WIOA Yth Admin 274YT21	3
444	633	WIOA Yth In-School 274YT21	3
444	636	WIOA Yth Out-of-School 274YT21	3
445	630	WIOA Admin 271LA21	3
445	634	WIOA Disloc Worker 271DW21	3
446	646	Trade 205BE19	3

**Northern Kentucky Area Development District  
Fiscal Year 2022 - Grant Listing**

<i>Fund</i>	<i>Grant</i>	<i>Description</i>	<i>Division</i>
465	637	Trade CM 272CM20	3
467	684	Medicaid	3
472	632	WIOA Adult 273AD19	3
473	699	Rapid Response IRS (272RR19)	3
474	636	WIOA Yth Out-of-School 274YT19	3
475	630	WIOA Admin 27119	3
475	632	Transfer Adult 271DW19	3
475	634	WIOA Dislcated Worker 271DW19	3
481	630	WIOA Admin 270AD20	3
481	632	WIOA Adult Prog 270AD20	3
482	630	WIOA Admin 273LA20	3
482	632	WIOA Adult Prog 273AD20	3
483	634	WIOA Disloc Worker 272DW20	3
484	633	WIOA Yth In-School 274YT20	3
484	636	WIOA Yth Out-of-School 274YT20	3
485	630	WIOA Admin 271LA20	3
485	634	WIOA Disloc Worker 271DW20	3
486	646	Trade 205BE18	3
488	630	NEG COVID-19 Admin	3
488	688	NEG COVID-19	3
491	823	KY Kore	1

**Northern Kentucky Area Development District  
Fiscal Year 2022 - Revenue Accounts**

***Account Description***

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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	State Revenue
4202	State Revenue
4300	Local Revenue
4301	Local Revenue
4302	Local Revenue
4303	Local Revenue
4304	Local Revenue
4305	Local Revenue
4310	Local Revenue
4320	Local Revenue
4330	Local Revenue
4400	Cash Match
4401	Cash Match
4410	Interest Earned
4432	INTEREST EARNED BONDS
4450	Interest Earned-Bldg Reserve
4500	In-Kind Match
4515	Annual Meeting Revenue
4520	Agency Match
4610	Contributions City/County
4700	Local Revenue Applied
4800	Prior Year carryover
4801	Prior Year carryover
4850	Prior Year carryover
4900	Miscellaneous Revenue
4999	USDA Commodities Received

**Northern Kentucky Area Development District  
Fiscal Year 2022 - Expense Accounts**

<b><i>Account</i></b>	<b><i>Description</i></b>
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
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
5771	Bank Service Charges

**Northern Kentucky Area Development District**  
**Fiscal Year 2022 - Expense Accounts**

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***Account Description***

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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, 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 are 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 directly follow 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 62 of the Financial Statements for Year Ended June 30, 2020). For the year ended June 30, 2020 the allocated costs were \$680,781 and direct salary and personnel burden costs were \$4,523,209, resulting in a percentage allocation of 15%. The prior year resulted in a percentage of 16%. These are historical results and should not be used in forecasting future results.

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.

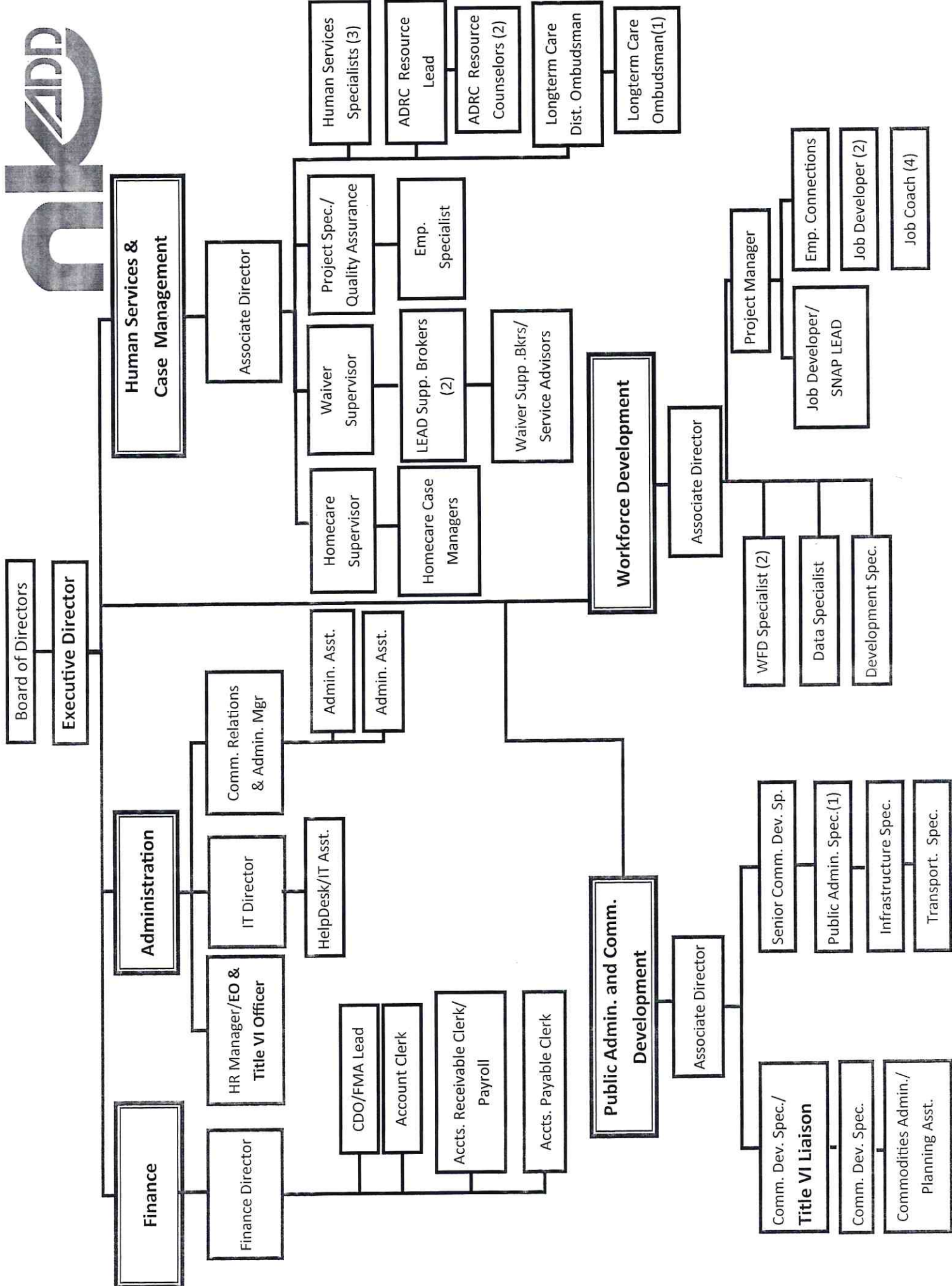
**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF ALLOCATED COSTS CLAIMED  
YEAR ENDED JUNE 30, 2020**

		<u>Costs Claimed</u>
<b>Shared Expenses:</b>		
Salaries	\$	74,655
Employee benefits		48,909
Travel		4,570
Contractual		109,955
Other		
Financing costs	\$	64,331
Miscellaneous		62,298
Depreciation		104,083
Insurance		76,485
Postage		8,736
Telephone		7,853
Consumable supplies		16,073
Utilities		28,107
Computer software and hardware		51,498
Janitor service		18,674
Organizational dues		1,962
Registration		2,457
Marketing and advertising		<u>135</u>
Total other		<u>442,692</u>
<b>Total shared expenses</b>		<b>680,781</b>
Shared expenses allocated (1)		<u>(680,781)</u>
<b>Shared expenses over applied</b>	<b>\$</b>	<b><u><u>-</u></u></b>

**Explanatory Notes:**

- (1) Shared costs are distributed on the basis of total direct salaries and employee benefits. The total shared expenses allocated is approximately 15% of total direct salaries and employee benefits.

The accompanying notes are an integral part of this statement.



## 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, 2022 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 based on 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



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Steve Webb

Finance Director

Dated: 4-14-21



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

April 21, 2021

Steve Webb, Finance Director  
Northern Kentucky Area Development District  
22 Spiral Drive  
Florence, KY 41042

Re: Indirect Cost Rate Certificate

Steve Webb:

With this letter, the Interior Business Center (IBC), on behalf of the Economic Development Administration (EDA), a component of the Department of Commerce and your cognizant agency, acknowledges receipt of your Certificate of Indirect Costs for FY 2022 dated April 14, 2021. As a unit of state or local government that receives less than \$35 million in annual cumulative direct Federal funding, you are not required to submit an indirect cost rate proposal to EDA and, consequently, EDA will not review your submission at this time. For more information on this requirement, see 2 C.F.R. part 200, App. VII § D.1.b.

Your organization is required to develop an indirect cost rate proposal or cost allocation plan in accordance with 2 C.F.R. part 200 and retain it with related supporting documentation for audit. For more information on this requirement, see 2 C.F.R. part 200, App. VII § D.1.b. and 2 C.F.R. § 200.333. EDA reserves the right to review this or future indirect cost rate proposals at a later time to ensure conformity with the requirements of 2 C.F.R. part 200. Typically, EDA will exercise this right if there is a relevant audit finding, a concern is raised by another government agency concerning a particular indirect cost rate, and/or if EDA finds an anomaly in an indirect cost rate proposal. In such circumstances EDA may review such an indirect cost rate proposal itself or through another Federal agency.

IBC is a shared service provider operating under the Department of the Interior. EDA has entered into an agreement with IBC to review and process Certificates of Indirect Costs on their behalf. EDA remains your cognizant agency and this letter, although issued from IBC, is EDA's acknowledgement of receipt.

Please contact IBC if you have any questions or concerns.

Sincerely,

Craig A. Wills  
Indirect Cost Services Division Chief

Enclosure: Certificate of Indirect Costs

**Certificate of Indirect Costs  
For State & Local Governments and Indian Tribes**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal 4/14/21 to establish billing or final indirect cost rates for fiscal year 2022 are allowable in accordance with the requirements of the Federal award(s) to which they apply and the provisions of 2 CFR Part 200 Subpart E-Cost Principles. Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost proposal.
- (2) All costs included in this proposal are properly allocable to Federal awards based on a beneficial or causal relationship between the expenses incurred and the agreements 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 and the Federal government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: Northern Kentucky Area Development District

Signature:  \_\_\_\_\_

Name of Official (printed): Steve Webb

Title: Finance Director

Date of Execution: 4/14/21

This certification:

- Is a requirement per 2 CFR Part 200 Subpart E Subsection 200.415 and Appendix VII Section D.3.;
- Must be submitted as part of the annual indirect cost rate proposal; and
- Must be signed on behalf of the non-Federal entity by an individual at a level no lower than vice president or chief financial officer of the organization.