

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2018

WITH

Independent Auditors' Reports

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2018

WITH

Independent Auditors' Reports

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NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2018

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Independent Auditors' Report

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Northern Kentucky Area Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District as of June 30, 2018 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2018, the District adopted new accounting guidance, GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and pension schedules on pages 1-5 and 28-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Kentucky Area Development District's basic financial statements. The statement of operations by grant and the statement of allocated costs claimed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of operations by grant, the statement of allocated costs claimed and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of Northern Kentucky Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Kentucky Area Development District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Kentucky Area Development District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Our discussion and analysis of Northern Kentucky Area Development District's (NKADD) financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the NKADD's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the NKADD's net position was a negative \$(4,271,584), a decrease of \$713,518 or 20.06% over FY 2017 restated negative net position.
- In the governmental funds, total revenues during the fiscal year increased by \$484,601 and total expenditures increased by \$810,702.
- At the close of the fiscal year, the NKADD's governmental fund balance was \$3,121,068 an increase of \$1,723 from June 30, 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 6 and 7) provide information about the activities of the NKADD as a whole and present a longer-term view of the NKADD's finances. Fund financial statements start on page 8. For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the NKADD's operations in more detail than the government-wide statements by providing information about the NKADD's most significant funds. The remaining statements provide detail financial information for the benefit of those outside of the government.

Reporting the NKADD as a Whole

Our analysis of the NKADD financial statements as a whole begins on page 6. One of the most important questions asked about the NKADD's finances is, "Is the NKADD as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the NKADD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the NKADD's net position and changes in them. You can think of the NKADD's net position—the difference between assets and liabilities—as one way to measure the NKADD's financial health, or financial position. Over time, increases or decreases in the NKADD's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the NKADD's revenue base and the condition of the NKADD's facilities, to assess the overall health of the NKADD.

In the Statement of Net Position and the Statement of Activities, we show the NKADD's one activity:

- Governmental activities—All of the NKADD's basic services are reported here, grant administration and general administration. State, local, and federal grants finance most of these activities.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2018**

Reporting the NKADD's Most Significant Funds

Our analysis of the NKADD's major funds and the fund financial statements begin on page 8 and provide detailed information about the most significant funds—not the NKADD as a whole. All grant administration is considered in one major fund. However, the NKADD accounts for grants by separate work elements to help it control and manage money for particular purposes and to show that it is meeting legal responsibilities for using certain grants, and other money.

- Governmental funds – Most of the NKADD's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the NKADD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the NKADD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 9 and 11.
- Special revenue funds – reports the activities of the revolving loan fund and Kentucky Housing Corporation (KHC) Economic Development Administration (EDA) loan program. These activities are reported in a separate column on the balance sheet on page 8 and on the statement of revenues, expenditures and changes of fund balances on page 10. We separate these activities from the NKADD's other activities because the NKADD cannot use these assets to finance its operations. The NKADD is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE NKADD AS A WHOLE

The total net position serves over time as an indicator of an organization's financial position. In the case of the NKADD, liabilities and deferred inflows exceeded assets and deferred outflows by \$4,271,584. The restated beginning net position was a negative \$(3,558,066). The unrestricted net position as of June 30, 2018 was a negative \$(5,125,893).

Total governmental funds revenue for the period ending June 30, 2018 was \$19,040,358. For the previous fiscal year, the total revenue was \$18,555,757. This results in a 2.61% increase in revenues. The net increase in revenues for FY 2018 is due to slight changes across multiple programs with higher levels of federal and local funding.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2018**

**Table 1
Net Position**

	FY '18	FY '17 (Restated)
Current and other assets	\$ 5,596,279	\$ 5,587,412
Capital assets	<u>2,492,880</u>	<u>2,517,017</u>
Total assets	8,089,159	8,104,429
Deferred outflows of resources	<u>2,658,781</u>	<u>1,586,090</u>
Total assets and deferred outflows	<u>\$10,747,940</u>	<u>\$ 9,690,519</u>
Current liabilities	\$ 2,508,499	\$ 2,502,505
Net pension liability	7,428,842	6,543,826
Net OPEB liability	2,551,466	2,001,294
Long term debt	<u>1,971,345</u>	<u>2,087,380</u>
Total liabilities	14,460,152	13,135,005
Deferred inflows of resources	<u>559,372</u>	<u>113,580</u>
Total liabilities and deferred inflows	<u>\$15,019,524</u>	<u>\$13,248,585</u>
Investment in capital assets, net of related debt items	\$ 521,535	\$ 429,637
Restricted for:		
Building construction	33,335	34,458
Loan program	299,439	107,732
Unrestricted	<u>(5,125,893)</u>	<u>(4,129,893)</u>
Total net position	<u>\$ (4,271,584)</u>	<u>\$ (3,558,066)</u>

**Table 2
Change in Net Position**

	FY '18	FY '17 (Not Restated)
REVENUES		
Program revenues		
Charges for services	\$ 334,323	\$ 436,893
Operating grants and contributions	18,620,349	17,951,701
General revenues		
Municipal contributions	38,985	96,921
Interest income	<u>608</u>	<u>845</u>
Total revenues	<u>18,994,265</u>	<u>18,486,360</u>
PROGRAM EXPENSES		
Cabinet for Health and Family Services	11,618,232	11,522,484
Workforce Innovation & Opportunity Act	3,181,198	2,985,896
Commodities	772,885	823,875
Supportive Housing	-	16,009
Loan Program	21,530	10,479
Joint Funding Administration	230,670	199,097
Other federal contracts	1,560,376	1,278,298
Other state contracts	790,450	577,223
Other local contracts	1,533,592	1,391,273
Interest on long term debt	<u>(1,150)</u>	<u>(1,100)</u>
Total expenses	19,707,783	18,803,534
CHANGE IN NET POSITION	<u>\$ (713,518)</u>	<u>\$ (317,174)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2018**

General Fund Budgetary Highlights

In Fiscal Year 2018, the NKADD had an initial total projected budget of \$17,838,544 in revenues and \$17,784,064 in expenditures and net other financing uses, with net change in fund balance of \$54,480. Of these dollars \$12,000,000 were projected pass-thru. During Fiscal Year 2018, the budget was amended to increase revenues to \$18,354,518 and increase expenditures and net other financing uses to \$19,150,324. The actual revenues on the budgetary basis for Fiscal Year 2018 were \$18,175,857 and \$18,365,841 in actual expenditures and net other financing uses, compared to Fiscal Year 2017 revenues of \$17,834,604 and expenditures and net other financing uses of \$17,686,378.

CAPITAL ASSETS

The capital assets of the NKADD are its office building, the land it sits upon, computer equipment, furnishings, and computer software. The land has a historical cost of \$226,975 for both June 30, 2018 and June 30, 2017. This represents the only capital asset not depreciated. The office building has a historical cost of \$2,927,591 for both June 30, 2018 and June 30, 2017. The accumulated depreciation for the office building at June 30, 2018 was \$875,667 and at June 30, 2017 was \$791,199. The increase of \$84,468 was depreciation expense for fiscal year 2018. Computer equipment has a historical cost of \$516,472 for June 30, 2018 and \$545,498 for June 30, 2017. During the fiscal year there were additions to computer equipment for \$103,544 and disposals of \$132,570. Accumulated depreciation for computer equipment was \$389,804 at June 30, 2018 and \$469,328 at June 30, 2017. Accumulated depreciation for computer equipment increased \$51,235 for depreciation, and decreased \$130,759 for disposals. Furniture and fixtures have a historical cost of \$282,152 for June 30, 2018 and \$292,008 for June 30, 2017. During the fiscal year there were disposals to furniture and fixtures of \$9,856. The accumulated depreciation for furniture and fixtures was \$235,966 at June 30, 2018 and \$232,101 at June 30, 2017. Accumulated depreciation for furniture and fixtures increased \$13,721 for depreciation, and decreased \$9,856 for disposals. Computer software has a historical cost of \$76,888 for June 30, 2018 and \$42,173 for June 30, 2017. During the fiscal year there were additions to computer software for \$34,715. The accumulated depreciation for computer software was \$35,761 at June 30, 2018 and \$24,600 at June 30, 2017. Accumulated depreciation for computer software increased \$11,161 for depreciation.

DEBT ADMINISTRATION

Of the capital items, the land and office building are financed by long-term debt. This debt represents the only capital assets financed debt of the NKADD. In December 2013, the NKADD's remaining U.S. Department of Agriculture (USDA) "First Mortgage Revenue Bonds," Series 2001 were paid in full with funds provided by the City of Florence under a capital lease arrangement. The lease/financing arrangement with the City of Florence has an average interest rate of 3.5%, payable semi-annually. The unpaid balance was \$1,960,000 at June 30, 2018. The debt service total principal and interest for Fiscal Year 2019 will be \$186,575.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The NKADD budget and financial stability is closely connected to receipt of federal and state public dollars. For Fiscal Year 2019, budgeted revenues are \$18,215,569 and expenditures are \$17,535,124. The difference between Fiscal Year 2019 budgeted revenues and expenditures is \$680,445.

Retirement costs continue to be a long-term financial issue for NKADD. The Fiscal Year 2019 employer contribution rate for NKADD in the County Employees Retirement System (CERS) is 21.48%. In Fiscal Year 2020, the CERS rate will increase; however, the exact rate is pending the outcome of the pension reform.

In 2019, the Kentucky General Assembly will conduct a regular budget session. The budget situation in Kentucky continues to be dire, and many programs were impacted by the Governor's Budget Reduction Order, (BRO). Some programs were impacted more than others, and of particular negative impact, was the 100% portion of the BRO that the Department for Local Government passed on to the ADD's in the eleventh month of the fiscal year. This could result in a 34% cut, amounting to \$68,853, to the NKADD. These reductions significantly impacted the Community and Economic Development Division. The Consumer Directed Options reimbursement rates have also changed, which have negatively impacted the financial standing of that program as well. NKADD is making adjustments in an attempt to alleviate these cuts and rate changes, and thus anticipates being better positioned for FY'19. These include not only costs reductions, but also diversification of funding and leveraging of additional funding mechanisms.

The NKADD strives to position itself for emergencies. The unassigned fund balance in the Governmental Fund Statements as of June 30, 2018 was \$2,675,386 compared to \$2,803,308 at the end of Fiscal Year 2017. While still low for an organization the size of NKADD, it is critical to operations to maintain an adequate level. With the implementation of Governmental Accounting Standards Board Statement Nos. 68 and 75, the NKADD was required to reflect in the Government-wide Financial Statements its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employees Retirement System (CERS), a cost sharing multiple employer plan, in which NKADD is a participant. As a result, the unrestricted net position as of June 30, 2018 was a negative \$(5,125,893) compared to a restated negative \$(4,129,893) at the end of Fiscal Year 2017.

CONTACTING NKADD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the NKADD's finances and to show the NKADD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the NKADD Office at 22 Spiral Drive, Florence, KY 41042.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Governmental
- ASSETS -	
Cash and cash equivalents	\$ 769,814
Cash - building construction account	33,335
Accounts receivable	4,218,669
Prepaid expenses	61,188
Loans receivable	
Due within one year	75,722
Due in more than one year	437,551
Capital assets, net	2,492,880
Total assets	8,089,159
 - DEFERRED OUTFLOWS OF RESOURCES -	
Deferred outflows related to pension plan	1,925,266
Deferred outflows related to OPEB	733,515
Total deferred outflows of resources	2,658,781
 - LIABILITIES -	
Accounts payable	970,543
Accrued expenses	186,729
Funds received in excess of revenues earned	1,226,913
Employees accrued annual leave	124,314
Long-term liabilities:	
Due within one year	120,000
Due in more than one year	
Long-term debt	1,851,345
Net pension liability	7,428,842
Net OPEB liability	2,551,466
Total liabilities	14,460,152
 - DEFERRED INFLOWS OF RESOURCES -	
Deferred inflows related to pension plan	425,784
Deferred inflows related to OPEB	133,588
Total deferred inflows of resources	559,372
 - NET POSITION -	
Investment in capital assets, net of related debt items	521,535
Restricted for:	
Building construction	33,335
Loan program	299,439
Unrestricted	(5,125,893)
Total net position	\$ (4,271,584)

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions	Direct Expenses	Indirect Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Cabinet for Health and Family Services	\$ 11,244,891	\$ 373,341	\$ 236	\$ 11,114,748	\$ (503,248)
Workforce Innovation & Opportunity Act	3,050,595	130,603	-	3,031,228	(149,970)
Commodities	760,932	11,953	8	760,167	(12,710)
Loan Program	19,081	2,449	10,866	199,790	189,126
Joint Funding Administration	203,748	26,922	-	201,421	(29,249)
Other federal contracts	1,465,346	95,030	3	1,459,420	(100,953)
Other state contracts	760,380	30,070	1	757,826	(32,623)
Other local contracts	1,480,641	52,951	323,209	1,095,749	(114,634)
Interest on long term debt	66,690	(67,840)	-	-	1,150
Total governmental activities	<u>19,052,304</u>	<u>655,479</u>	<u>334,323</u>	<u>18,620,349</u>	<u>(753,111)</u>
GENERAL REVENUES:					
Municipal contributions					38,985
Interest income					608
Total general revenues					<u>39,593</u>
Change in net position					(713,518)
NET POSITION, BEGINNING					(1,719,562)
PRIOR PERIOD ADJUSTMENT					<u>(1,838,504)</u>
NET POSITION, ENDING					<u><u>\$ (4,271,584)</u></u>

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
- ASSETS -			
Cash and cash equivalents	\$ 769,814	\$ -	\$ 769,814
Cash - building construction account	33,335	-	33,335
Accounts receivable	4,218,669	-	4,218,669
Prepaid expenses	61,188	-	61,188
Loans receivable	-	513,273	513,273
Due (to)/from other funds	63,956	(63,956)	-
Total assets	<u>\$ 5,146,962</u>	<u>\$ 449,317</u>	<u>\$ 5,596,279</u>
- LIABILITIES AND FUNDS EQUITY -			
- LIABILITIES -			
Accounts payable	\$ 970,543	\$ -	\$ 970,543
Accrued expenses	153,441	-	153,441
Funds received in excess of revenues earned	1,128,755	98,158	1,226,913
Employees accrued annual leave	124,314	-	124,314
Total liabilities	<u>2,377,053</u>	<u>98,158</u>	<u>2,475,211</u>
- FUND BALANCES -			
Non-spendable			
Prepaid expenses	61,188	-	61,188
Restricted			
Building construction	33,335	-	33,335
Loan program	-	299,439	299,439
Assigned			
Working capital	-	51,720	51,720
Unassigned	2,675,386	-	2,675,386
Total fund balances	<u>2,769,909</u>	<u>351,159</u>	<u>3,121,068</u>
Total liabilities and fund balances	<u>\$ 5,146,962</u>	<u>\$ 449,317</u>	<u>\$ 5,596,279</u>

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balance - governmental funds \$ 3,121,068

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 2,492,880

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Long-term debt	\$	(1,960,000)	
Net pension liability		(7,428,842)	
Net OPEB liability		(2,551,466)	
			(11,940,308)

Costs incurred with the issuance of long term debt are not financial resources and therefore are not reported as assets in governmental funds.

Accrued interest expense		(33,288)	
Bond premium		(11,345)	
			(44,633)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in the governmental funds:

Deferred outflows of resources		1,925,266	
Deferred inflows of resources		(425,784)	
			1,499,482

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reportable in the governmental funds:

Deferred outflows of resources		733,515	
Deferred inflows of resources		(133,588)	
			599,927

Net position (deficit) of governmental activities **\$ (4,271,584)**

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General	Special Revenue	Totals
REVENUES:			
Applied to all programs:			
Federal revenues	\$ 6,532,121	\$ 234,541	\$ 6,766,662
State revenues	9,978,702	-	9,978,702
Federal commodities	619,094	-	619,094
Interest income	856	10,866	11,722
Local revenues	1,664,178	-	1,664,178
Net revenues	<u>18,794,951</u>	<u>245,407</u>	<u>19,040,358</u>
EXPENDITURES:			
CHFS - other sub-grantees	8,250,563	-	8,250,563
WIOA sub-grantees	2,009,779	-	2,009,779
Commodities	619,094	-	619,094
Other federal contracts sub-grantees	434,377	-	434,377
Other state contracts sub-grantees	486,324	-	486,324
Other local contracts sub-grantees	664,537	-	664,537
Revolving loans	-	237,800	237,800
Direct salaries	3,197,600	10,455	3,208,055
Direct employee benefits	1,310,420	4,734	1,315,154
Direct travel	112,215	4	112,219
Direct contracts	529,417	1,102	530,519
Direct other	513,770	205	513,975
Direct local non-grant expenses	63,284	-	63,284
Shared expenses	720,870	2,449	723,319
Total expenditures	<u>18,912,250</u>	<u>256,749</u>	<u>19,168,999</u>
Excess of revenues (expenditures)	<u>(117,299)</u>	<u>(11,342)</u>	<u>(128,641)</u>
OTHER FINANCING SOURCES (USES):			
Operating sources in	113,364	203,049	316,413
Operating uses out	(186,049)	-	(186,049)
Net other financing sources (uses)	<u>(72,685)</u>	<u>203,049</u>	<u>130,364</u>
Net change in fund balances	(189,984)	191,707	1,723
Fund balances - beginning of year	<u>2,959,893</u>	<u>159,452</u>	<u>3,119,345</u>
Fund balances - end of year	<u>\$ 2,769,909</u>	<u>\$ 351,159</u>	<u>\$ 3,121,068</u>

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total government funds \$ 1,723

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$160,585) and loss on disposal (\$1,811) exceeded capital outlays (\$138,259).

(24,137)

The issuance of long term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.

Principal payment on USDA financing	\$	115,000	
Accretion of bond premium		1,034	
Difference between interest expense on modified accrual basis vs. accrual basis		1,150	
			117,184

NKADD pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the NKADD's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities

NKADD pension contributions		453,343	
Cost of benefits earned		(1,148,598)	
			(695,255)

NKADD OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net OPEB liability is measured a year before the NKADD's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities

NKADD insurance contributions		147,149	
Cost of benefits earned		(260,182)	
			(113,033)

Change in Net Position of Governmental Activities **\$ (713,518)**

The accompanying notes are an integral part of these financial statements.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Kentucky Area Development District (NKADD) is a non-profit public agency, functioning as an instrumentality of a political subdivision of the Commonwealth of Kentucky. NKADD operates under legislative authority which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of the eight county area in Northern Kentucky. The accounting policies of NKADD conform to generally accepted accounting principles.

The NKADD's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

For the year ended June 30, 2018, the NKADD implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for measuring and recognizing deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to health care benefits provided through postemployment benefits plan.

The following is a summary of the more significant policies:

A. Basic Financial Statements – Government-Wide Statements: The NKADD's basic financial statements include both government-wide (reporting the NKADD as a whole) and fund financial statements (reporting the NKADD's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The NKADD currently has no funds that are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The NKADD's net position are reported in three parts – invested in capital assets, net of related debt, unrestricted net position, and restricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the NKADD's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. Net costs, if any, (by function) are normally covered by general revenue.

This government-wide focus is more on the sustainability of the NKADD as an entity and the change in the NKADD's net position resulting from the current year's activities.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements-Fund Financial Statements: The financial transactions of the NKADD are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of their assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate.

The following funds are used by NKADD:

Governmental Fund Types:

General Fund - The general operating fund of the NKADD is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue sources not considered part of the other funds, which includes the revolving loan fund and the KHC EDA loan fund.

Fund Balances:

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the NKADD's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, governmental laws regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the NKADD imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned –resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports an unassigned fund balance amount.

C. Basis of Accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The accounting system of NKADD also provides for the following:

- (1) Revenues are applied to program elements on the basis of total expenses incurred on the projects during the period and on the sharing ratios specified in the grant agreements.
- (2) Equipment acquired with grant funds is expensed immediately rather than capitalized and depreciated.

D. Shared Costs: Shared costs were distributed over the benefiting programs on the basis of direct salary and employee benefit charges. Shared costs are those (a) incurred for a common or joint purpose benefiting more than one program, and (b) not readily assignable to the programs specifically benefited without effort disproportionate to the results achieved.

E. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents: For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. As of June 30, 2018 the NKADD held no cash equivalents.

G. Accounts Receivable: Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations, as uncollectible governmental funds, when that determination is made.

H. Income Taxes: NKADD is exempt from income taxes.

I. Property and Equipment: Equipment is generally acquired by NKADD in part with grant funds. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired with an original cost of \$500 or more are reported at cost. Other costs incurred for repairs and maintenance are expensed as incurred. Property acquired by the NKADD is stated at cost, less accumulated depreciation computed by the straight line method over the following estimated useful lives:

Building and improvements	10 – 40 years
Furniture and fixtures	7 years
Computer equipment	3 years
Computer software	10 years

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Use of Restricted Resources: When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the NKADD's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the NKADD's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

K. Long Term Debt: In the government-wide financial statements, long term debt is reported as liabilities in the applicable governmental activities financial statements.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

L. Revenues: Substantially all governmental fund revenues are accrued.

M. Expenditures: Expenditures are recognized when the related fund liability is incurred.

N. Compensated Absences: Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with NKADD. Sick leave accrues to employees to specified maximums. Employees are entitled to limited accrued vacation leave upon termination. The estimated liability for vested vacation leave benefits is recorded as an expenditure and liability in the respective funds.

O. Deferred Outflows of Resources: The NKADD reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statements relate to the NKADD's pension plan and OPEB plan and include (1) contributions made to the NKADD's pension plan and OPEB plan between the measurement date of the net pension liability and the end of the NKADD's fiscal year; (2) differences between the expected and actual experience; (3) changes in assumptions; (4) changes in the proportionate share of the NKADD's contributions to the pension fund and OPEB plan; and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes of assumptions in the pension fund and OPEB fund, and changes in the proportionate share of the NKADD's contributions to the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

P. Deferred Inflows of Resources: The NKADD's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the NKADD's statement of net position for changes in proportionate share of contributions. The other deferred inflow of resources is attributed to the premium that was paid on the loan with the City of Florence for refinancing the building, improvements and real estate.

Q. Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS’s fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2018, the carrying amount of the NKADD’s deposits (cash and cash equivalents) was \$803,149 and the bank balances totaled \$1,293,108. The building construction account balance was \$33,335, which consists of a money market government fund, and is uninsured. Of the remaining cash, \$250,000 is covered by the Federal Depository Insurance (FDIC) with the balance secured by pledged securities held by the pledging financial institution’s agent as collateral for the bank balances in excess of the FDIC insured amount.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security, obligations of the United States government or its agencies.

NOTE 3 - LEASES

NKADD leases warehouse space under an operating lease. The current year lease costs approximate \$36,000. There were no minimum future rental payments under this cancelable lease having remaining terms in excess of one year as of June 30, 2018.

The NKADD leases office space for the One Stop and Kentucky Works programs under five year rental agreements. The current year gross lease expense was \$201,559. The current year gross sublease income was \$66,651. The approximate future minimum lease payments relative to these leases as of June 30, 2018 are summarized as follows:

<u>Fiscal Year Ending June 30</u>	
2019	\$ 203,678
2020	199,580
2021	199,580
2022	16,632
2023 and after	-
	<u>\$ 619,470</u>

Total minimum lease payments have not been reduced by \$263,459 to be received in the future under non-cancelable subleases.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 4 – EMPLOYEE’S PENSION PLANS

General Information about the Pension Plan

Plan description. Employees of the NKADD are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date Unreduced Retirement Reduced Retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service or 55 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced Retirement Reduced Retirement	September 1, 2008 – December 31, 2013 At least 5 years of service or 65 years old, or Age 57+ and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced Retirement Reduced Retirement	On or after January 1, 2014 At least 5 years of service or 65 years old, or Age 57+ and sum of service years plus age equal 87 Not available

Employees are vested in the plan after five years of service. Costs of living adjustments (COLA) are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are required to contribute 5% of their annual creditable compensation. Tier 2 and 3 employees are required to contribute 5% of their annual creditable contribution plus an additional 1% of creditable compensation to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. Contributions to the pension plan from the NKADD were \$600,492 for the year ended June 30, 2018, of which \$453,343 was for the pension fund and \$147,149 was for the insurance fund.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 – EMPLOYEE’S PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the NKADD reported a liability of \$7,428,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NKADD’s proportion of the net pension liability was based on a projection of the NKADD’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the NKADD’s proportion was 0.126917%, which was a decrease of 0.005990% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the NKADD recognized pension expense of \$1,148,598. At June 30, 2018, the NKADD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,214	\$ 188,576
Changes of assumptions	1,370,823	-
Net difference between projected and actual earnings on plan investments	91,886	-
Changes in proportion and differences between NKADD contributions and proportionate share of contributions	-	237,208
NKADD contributions subsequent to the measurement date	453,343	-
	\$ 1,925,266	\$ 425,784

The \$453,343 reported as deferred outflows of resources related to pensions resulting from NKADD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 453,695
2020	476,323
2021	215,324
2022	(99,203)
2023	-
	\$ 1,046,139

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 – EMPLOYEE’S PENSION PLANS (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Changes of assumptions. Since the prior measurement date, the economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data estimates inherent in current market data, and a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 – EMPLOYEE’S PENSION PLAN (CONTINUED)

The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100%</u>	

Sensitivity of the NKADD’s proportionate share of the net pension liability to changes in the discount rate. The following presents the NKADD’s proportionate share of the net pension liability, calculated using the discount rate of 6.25%, as well as what the NKADD’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
NKADD's proportionate share of the net pension liability	\$ 9,369,376	\$ 7,428,842	\$ 5,805,601

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS financial report.

Payables to the pension plan

The NKADD makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, \$101,590 was payable to the pension plan, of which \$76,696 was for the pension fund and \$24,894 was for the insurance fund.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 5 – POSTEMPLOYMENT BENEFITS

General Information about Other Postemployment Benefits Plan (OPEB)

Plan description. Employees of the NKADD are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)— a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at <http://kyret.ky.gov>.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of contributions paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15-19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regards to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2017 is \$13.18 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable contribution to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note 4 Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. See Note 4 for contributions to the plan from the NKADD during the current fiscal year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the NKADD reported a liability of \$2,551,466 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NKADD's proportion of the net OPEB liability was based on a projection of the NKADD's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employees, actuarially determined. At June 30, 2017, the NKADD's proportion was 0.126917%.

For the year ended June 30, 2018, the NKADD recognized OPEB expense of \$260,182. At June 30, 2018, the NKADD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,087
Changes of assumptions	555,183	-
Net difference between projected and actual earnings on plan investments	-	120,581
Changes in proportion and differences between NKADD contributions and proportionate share of contributions	-	5,920
NKADD contributions subsequent to the measurement date	178,332	-
	\$ 733,515	\$ 133,588

The \$178,332 reported as deferred outflows of resources related to OPEB resulting from NKADD contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 72,540
2020	72,540
2021	72,540
2022	72,540
2023	102,685
2024	28,750
	\$ 421,595

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	4.00%, average
Investment rate of return	6.25%,
Healthcare trend rates	Pre – 65: Initial trend starting at 7.50% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years Post – 65: Initial trend starting at 5.50% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Discount rate. The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to the future expected benefits payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note 4 Employee’s Pension Plan.

The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.2%
Other Additional Categories*	10.0%	33.0%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

***Modeled as 505 High Yield and 50% Bank Loans.**

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018**

NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the NKADD’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the NKADD’s proportionate share of the net OPEB liability, calculated using the discount rate of 5.84%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
NKADD's proportionate share of the net OPEB liability	\$ 3,246,599	\$ 2,551,466	\$ 1,973,006

Sensitivity of the NKADD’s proportionate share of the net OPEB liability to changes in the healthcare trend rate. The following presents the NKADD’s proportionate share of the net OPEB liability, calculated using the healthcare trend rate noted above, as well as what the NKADD’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
NKADD's proportionate share of the net OPEB liability	\$ 1,957,106	\$ 2,551,466	\$ 3,324,099

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KRS financial report.

Payables to the OPEB plan

The NKADD makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note 4 Employee’s Pension Plan for payable as of June 30, 2018.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ <u>226,975</u>	\$ _____ -	\$ _____ -	\$ <u>226,975</u>
Total capital assets not being depreciated	<u>226,975</u>	_____ -	_____ -	<u>226,975</u>
Other capital assets:				
Buildings and improvements	2,927,591	-	-	2,927,591
Computer software	42,173	34,715	-	76,888
Computer equipment	545,498	103,544	(132,570)	516,472
Furniture and fixtures	<u>292,008</u>	_____ -	<u>(9,856)</u>	<u>282,152</u>
Total capital assets being depreciated	<u>3,807,270</u>	<u>138,259</u>	<u>(142,426)</u>	<u>3,803,103</u>
Less accumulated depreciation for:				
Buildings and improvements	(791,199)	(84,468)	-	(875,667)
Computer software	(24,600)	(11,161)	-	(35,761)
Computer equipment	(469,328)	(51,235)	130,759	(389,804)
Furniture and fixtures	<u>(232,101)</u>	<u>(13,721)</u>	<u>9,856</u>	<u>(235,966)</u>
Total accumulated depreciation	<u>(1,517,228)</u>	<u>(160,585)</u>	<u>140,615</u>	<u>(1,537,198)</u>
Other capital assets, net	<u>2,290,042</u>	<u>(22,326)</u>	<u>(1,811)</u>	<u>2,265,905</u>
Governmental activities capital assets, net	<u>\$2,517,017</u>	<u>\$ (22,326)</u>	<u>\$ (1,811)</u>	<u>\$ 2,492,880</u>

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 7 – LONG TERM DEBT

The following is a summary of changes in the long term debt for the year ended June 30, 2018:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
Lease Obligation	\$ 2,075,000	\$ -	\$ (115,000)	\$ 1,960,000
Premium on long-term debt	12,380	-	(1,035)	11,345
Total long term debt	<u>\$ 2,087,380</u>	<u>\$ -</u>	<u>\$ (116,035)</u>	<u>\$ 1,971,345</u>

Permanent financing of the NKADD's office building, improvements, and related real estate is provided by the City of Florence under a capital lease arrangement. The capital lease arrangement provided approximately \$2,415,000 to NKADD at an average interest rate of 3.5% payable semi-annually.

This lease obligation is payable through January 1, 2034 and is secured by the NKADD's office building and related real estate. Debt service requirements on this capital lease are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.00%	\$ 120,000	\$ 66,575	\$ 186,575
2020	2.25%	120,000	64,175	184,175
2021	2.50%	125,000	61,475	186,475
2022	2.75%	125,000	58,350	183,350
2023	3.00%	125,000	54,913	179,913
2024-2028	3.00%-4.00%	710,000	211,338	921,338
2029-2033	4.00%-4.25%	565,000	74,225	639,225
2034	4.25%	70,000	2,974	72,974
Totals		<u>\$ 1,960,000</u>	<u>\$ 594,025</u>	<u>\$ 2,554,025</u>

NOTE 8 - OTHER FINANCING SOURCES (USES)

Other financing sources (uses) consist of fixed asset transfers, loan proceeds and transfers between funds.

	Governmental Fund Types	
	General Fund	Special Revenue Fund Types
Principal payment on long term debt	\$ (115,000)	\$ -
Transfer from general fixed assets	111,553	-
Transfer to general fixed assets	(59,388)	-
Loss on disposal of fixed assets	1,811	-
Net capital lease activity	(319)	-
Transfer from general fund to special revenue fund	(11,342)	11,342
Net revolving loan principal activity	-	191,707
Net other financing sources (uses)	<u>\$ (72,685)</u>	<u>\$ 203,049</u>

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – CONTINGENCIES

NKADD participates in numerous state and federal grant programs which are governed by various rules and regulations of the funding agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the funding agencies. Therefore, to the extent that NKADD has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related revenues earned in excess of funds received at June 30, 2018 may be impaired. Based on prior experience, management believes that NKADD will not incur significant losses from possible grant disallowances. Amounts that management anticipates will be refunded are included in funds received in excess of revenues earned.

NKADD passes a significant portion of the local, state and federal grant funds it receives through to sub-grantees. NKADD monitors the activities of the sub-grantees and requires that applicable sub-grantees have financial and compliance audits performed. To the extent that audits of sub-grantees indicate failures to comply with applicable grant requirements, NKADD assesses the likelihood of grant refunds payable as a result of such noncompliance, and records a liability for amounts management deems to be in excess of amounts recoverable from the sub-grantee. Management also assesses the likelihood of noncompliance by sub-grantees that have not yet submitted audited results. NKADD has not received nor reviewed many of the FY '18 audits of its sub-grantees. It is possible that audits of these funds could disclose questionable costs and/or non-compliance with laws, regulations and grant conditions that would have an adverse effect upon the financial statements and reports.

NOTE 10 – RESTRICTED NET POSITION

Net position restricted for loan programs include the excess of assets over liabilities restricted for the revolving loan fund and the Kentucky Housing Corporation Economic Development Administration loan fund. The government-wide statements include restricted net position of \$299,439 for small business loans reported as funds to reflect purpose restrictions imposed by the grantors. Net position restricted for building construction includes the cash restricted by the lease/financing agreement to be used in the construction of the building addition. These restrictions are functionally classified in the statement of net position.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, as they relate to governments that provide postemployment benefits through health insurance plans administered as trust or similar arrangements that meet certain criteria. GASB 75 requires governments providing defined benefit postemployment benefits to recognize their long-term obligation for benefits. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,838,504 reduction in beginning net position on the Statement of Activities.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		Budgetary Basis
Fund balance July 1, 2017	\$ 2,959,893	\$ 2,959,893	\$ 2,959,893	\$ -
RESOURCES (inflows):				
Federal and state revenues	4,572,784	4,811,271	5,329,780	518,509
Local contract revenue	1,094,260	830,965	829,719	(1,246)
Local contribution revenue	160,000	160,000	168,228	8,228
Annual meeting	6,500	1,694	1,694	-
Miscellaneous revenue	5,000	856	856	-
Pass-through revenue	12,000,000	12,549,732	11,845,580	(704,152)
Total resources	17,838,544	18,354,518	18,175,857	(178,661)
Amounts available for use	20,798,437	21,314,411	21,135,750	(178,661)
EXPENDITURES (outflows):				
Direct salaries	3,156,476	3,249,759	3,197,600	52,159
Direct employee benefits	1,387,308	1,331,315	1,310,420	20,895
Direct travel	138,734	112,529	112,215	314
Direct contracts	123,550	518,289	529,417	(11,128)
Direct other	308,577	608,830	513,770	95,060
Direct local non-grant expenses	52,000	11,500	63,284	(51,784)
Shared expenses	569,919	720,870	720,870	-
Pass-through expenditures	12,000,000	12,549,732	11,845,580	704,152
Total expenditures before other sources	17,736,564	19,102,824	18,293,156	809,668
Net other financing (sources) uses	47,500	47,500	72,685	(25,185)
Net expenditures	17,784,064	19,150,324	18,365,841	784,483
Budgetary fund balance June 30, 2018	\$ 3,014,373	\$ 2,164,087	\$ 2,769,909	\$ 605,822

The accompanying notes are an integral part of these financial statements.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2018**

NOTE 1 - BUDGETING POLICIES

The executive director submits an annual budget to the Board of Directors in accordance with NKADD procedures. Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures. Each funds' budget is prepared on a detailed work element/line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, work element and line item. Revisions to the budget were made throughout the year. Because the NKADD did not have sufficient information to accurately prepare certain forecasts, some work elements do not have budgets.

The budgets are prepared on the basis of accounting used by the appropriate fund. The actual and budget amounts for the Revolving Loan Fund and the Non-cash Federal Commodities are not included in the General Fund budgetary comparison schedule.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF THE NKADD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.12691700%	0.132907%	0.136770%	0.137418%						
District's proportionate share of the net pension liability (asset)	\$ 7,428,842	\$ 6,543,826	\$ 5,880,445	\$ 4,458,372						
District's covered-employee payroll	\$ 3,103,141	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.40%	204.62%	183.23%	141.31%						
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%						

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF NKADD PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 453,343	\$ 432,888	\$ 397,061	\$ 408,787	\$ 433,168					
Contributions in relation to the contractually required contribution	<u>\$ (453,343)</u>	<u>\$ (432,888)</u>	<u>\$ (397,061)</u>	<u>\$ (408,787)</u>	<u>\$ (433,168)</u>					
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 3,130,822	\$ 3,103,141	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009					
Contributions as a percentage of covered-employee payroll	14.46%	13.93%	12.40%	12.74%	13.73%					

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2018

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net OPEB liability (asset)	0.126917%									
District's proportionate share of the net OPEB liability (asset)	\$ 2,551,466									
District's covered-employee payroll	\$ 3,103,141									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.22%									
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%									

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 147,149	\$ 146,779								
Contributions in relation to the contractually required contribution	<u>\$ (147,149)</u>	<u>\$ (146,779)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
District's covered-employee payroll	\$ 3,130,822	\$ 3,103,141								
Contributions as a percentage of covered-employee payroll	4.68%	4.71%								

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION

June 30, 2018

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rate for pre-65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rate for post-65 members reduced from an initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Healthcare trend rates	Pre-65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post-65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY GRANT
GENERAL AND SPECIAL REVENUE FUND TYPES
YEAR ENDED JUNE 30, 2018**

	<u>Cabinet for Health and Family Services</u>	<u>Workforce Innovation & Opportunity Act</u>	<u>Commodities</u>	<u>Loan Program</u>
REVENUES:				
Federal	\$ 1,893,563	\$ 3,000,920	\$ 141,073	\$ 234,541
State	9,163,941	21,885	-	-
Federal commodities	-	-	619,094	-
Local funds applied	10,075	5,411	-	11,342
Match - cash	172,546	-	-	-
Match - In kind	184,289	-	-	-
Program income	96,623	-	-	-
Interest income	236	-	8	10,866
Local revenue	47,169	3,012	-	-
Total revenues	<u>11,568,442</u>	<u>3,031,228</u>	<u>760,175</u>	<u>256,749</u>
EXPENDITURES:				
Direct Expenses:				
Salaries	1,649,664	607,583	51,492	10,455
Employee benefits	704,981	204,294	22,538	4,734
Travel	61,653	9,743	2,659	4
Contracts	2,760	1,589	50,574	1,102
Other	168,082	67,637	1,865	205
Total direct expenses	<u>2,587,140</u>	<u>890,846</u>	<u>129,128</u>	<u>16,500</u>
Shared expenses applied	<u>373,341</u>	<u>130,603</u>	<u>11,953</u>	<u>2,449</u>
Sub-total expenditures	<u>2,960,481</u>	<u>1,021,449</u>	<u>141,081</u>	<u>18,949</u>
Sub-recipients/sub-grantees	<u>8,704,021</u>	<u>2,009,779</u>	<u>619,094</u>	<u>237,800</u>
Total expenditures	<u>11,664,502</u>	<u>3,031,228</u>	<u>760,175</u>	<u>256,749</u>
Excess revenues (expenditures) before transfers to (from)	<u>(96,060)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>\$ (96,060)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

<u>Joint Funding Administration</u>	<u>Other Federal Contracts</u>	<u>Other State Contracts</u>	<u>Other Local Contracts</u>	<u>Shared Expenses</u>	<u>Revenues and Expenditures</u>
\$ 89,739	\$ 1,406,826	\$ -	\$ -	\$ -	\$ 6,766,662
105,092	-	687,784	-	-	9,978,702
-	-	-	-	-	619,094
6,590	25,783	70,042	(129,243)	-	-
-	-	-	-	-	172,546
-	82,522	-	-	-	266,811
-	-	-	-	-	96,623
-	3	1	608	-	11,722
-	26,811	-	1,587,186	-	1,664,178
<u>201,421</u>	<u>1,541,945</u>	<u>757,827</u>	<u>1,458,551</u>	<u>-</u>	<u>19,576,338</u>
118,498	408,996	132,167	229,200	66,615	3,274,670
49,375	181,764	53,813	93,655	20,301	1,335,455
3,226	11,772	2,771	20,391	9,225	121,444
-	216,373	-	258,121	87,528	618,047
3,400	111,111	52,682	172,277	539,650	1,116,909
<u>174,499</u>	<u>930,016</u>	<u>241,433</u>	<u>773,644</u>	<u>723,319</u>	<u>6,466,525</u>
<u>26,922</u>	<u>95,030</u>	<u>30,070</u>	<u>52,951</u>	<u>(723,319)</u>	<u>-</u>
201,421	1,025,046	271,503	826,595	-	6,466,525
-	516,899	486,324	664,537	-	13,238,454
<u>201,421</u>	<u>1,541,945</u>	<u>757,827</u>	<u>1,491,132</u>	<u>-</u>	<u>19,704,979</u>
-	-	-	(32,581)	-	(128,641)
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,581)</u>	<u>\$ -</u>	<u>\$ (128,641)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

REFERENCE	Title III		Title VII	
	Pages 45-48		Pages 49-50	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 1,174,138	\$ 1,137,586	\$ 28,565	\$ 28,565
State	651,862	648,512	-	-
Local funds applied	7,596	7,816	-	-
Match - cash	138,414	138,414	-	-
Match - In kind	150,157	150,157	3,595	3,595
Program income	4,688	4,688	-	-
Interest income	77	77	-	-
Local revenue	2,247	2,247	255	255
Total revenues	2,129,179	2,089,497	32,415	32,415
EXPENDITURES:				
Direct Expenses:				
Salaries	331,673	331,970	7,634	7,682
Employee benefits	146,311	146,336	3,636	3,650
Travel	12,580	12,163	577	1,782
Contracts	5,581	2,760	-	-
Other	49,278	41,287	18,770	17,462
Total direct expenses	545,423	534,516	30,617	30,576
Shared expenses applied	75,638	76,158	1,798	1,839
Sub-total expenditures	621,061	610,674	32,415	32,415
Sub-recipients/sub-grantees	1,508,118	1,478,823	-	-
Total expenditures	2,129,179	2,089,497	32,415	32,415
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NSIP 320-319		Homecare Pages 51-52		Personal Care Attendant Pages 53-54	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 69,298	\$ 47,093	\$ -	\$ -	\$ -	\$ -
-	-	1,335,497	1,335,497	527,391	527,383
-	-	2,259	2,259	-	-
-	-	34,132	34,132	-	-
-	-	30,537	30,537	-	-
-	-	10,551	10,551	-	-
-	-	93	93	-	-
-	-	30,072	30,072	-	-
<u>69,298</u>	<u>47,093</u>	<u>1,443,141</u>	<u>1,443,141</u>	<u>527,391</u>	<u>527,383</u>
-	-	362,219	362,219	4,705	4,715
-	-	163,546	163,546	1,940	1,867
-	-	6,917	6,917	31	63
-	-	-	-	-	-
-	-	15,142	15,142	207	-
-	-	547,824	547,824	6,883	6,645
-	-	80,806	80,806	842	1,072
-	-	628,630	628,630	7,725	7,717
<u>69,298</u>	<u>47,093</u>	<u>814,511</u>	<u>814,511</u>	<u>519,666</u>	<u>519,666</u>
<u>69,298</u>	<u>47,093</u>	<u>1,443,141</u>	<u>1,443,141</u>	<u>527,391</u>	<u>527,383</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

REFERENCE	SHIP		LTC Ombudsman	
	Pages 55-56		321-323	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 51,896	\$ 48,310	\$ -	\$ -
State	-	-	62,586	62,586
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	51,896	48,310	62,586	62,586
EXPENDITURES:				
Direct Expenses:				
Salaries	1,722	1,082	33,179	33,179
Employee benefits	727	444	15,331	15,331
Travel	-	-	5,064	5,064
Contracts	-	-	-	-
Other	-	-	1,374	1,374
Total direct expenses	2,449	1,526	54,948	54,948
Shared expenses applied	294	256	7,638	7,638
Sub-total expenditures	2,743	1,782	62,586	62,586
Sub-recipients/sub-grantees	49,153	46,528	-	-
Total expenditures	51,896	48,310	62,586	62,586
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Functional Assessment 317-557		CDO Pages 57-58		Testing Experience and Functional Tools 326-334	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 1,000	\$ 214	\$ 599,138	\$ 599,138	\$ -	\$ -
-	-	6,589,542	6,589,542	13,975	421
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	81,384	81,384	-	-
-	-	66	66	-	-
-	-	14,595	14,595	-	-
<u>1,000</u>	<u>214</u>	<u>7,284,725</u>	<u>7,284,725</u>	<u>13,975</u>	<u>421</u>
404	118	908,369	908,369	8,707	262
226	56	373,619	373,619	3,371	102
200	10	35,653	35,653	-	-
-	-	-	-	-	-
90	-	92,760	92,760	-	-
920	184	1,410,401	1,410,401	12,078	364
80	30	205,468	205,468	1,897	57
1,000	214	1,615,869	1,615,869	13,975	421
-	-	5,764,916	5,764,916	-	-
<u>1,000</u>	<u>214</u>	<u>7,380,785</u>	<u>7,380,785</u>	<u>13,975</u>	<u>421</u>
-	-	(96,060)	(96,060)	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,060)</u>	<u>\$ (96,060)</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

REFERENCE	Improving Arthritis Outcomes		MIPPA 3	
	326-335		326-313	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 3,000	\$ 173	\$ 30,379	\$ 2,829
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	3,000	173	30,379	2,829
EXPENDITURES:				
Direct Expenses:				
Salaries	407	68	3,764	-
Employee benefits	188	30	1,903	-
Travel	300	1	39	-
Contracts	-	-	-	-
Other	2,030	57	76	-
Total direct expenses	2,925	156	5,782	-
Shared expenses applied	75	17	718	-
Sub-total expenditures	3,000	173	6,500	-
Sub-recipients/sub-grantees	-	-	23,879	2,829
Total expenditures	3,000	173	30,379	2,829
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MIPPA 2		Cabinet for Health and Family	
326-312		Services	
Budget	Actual	Budget	Actual
\$ 39,539	\$ 29,655	\$ 1,996,953	\$ 1,893,563
-	-	9,180,853	9,163,941
-	-	9,855	10,075
-	-	172,546	172,546
-	-	184,289	184,289
-	-	96,623	96,623
-	-	236	236
-	-	47,169	47,169
<u>39,539</u>	<u>29,655</u>	<u>11,688,524</u>	<u>11,568,442</u>
-	-	1,662,783	1,649,664
-	-	710,798	704,981
-	-	61,361	61,653
-	-	5,581	2,760
-	-	179,727	168,082
-	-	2,620,250	2,587,140
-	-	375,254	373,341
-	-	2,995,504	2,960,481
<u>39,539</u>	<u>29,655</u>	<u>8,789,080</u>	<u>8,704,021</u>
<u>39,539</u>	<u>29,655</u>	<u>11,784,584</u>	<u>11,664,502</u>
-	-	(96,060)	(96,060)
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,060)</u>	<u>\$ (96,060)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE III
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Administration		Supportive Services	
	320-300		320-301	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 54,983	\$ 54,983	\$ 391,298	\$ 387,947
State	74,135	74,135	481,212	477,862
Local funds applied	-	220	-	-
Match - cash	-	-	50,385	50,385
Match - In kind	-	-	138,085	138,085
Program income	-	-	2,288	2,288
Interest income	-	-	77	77
Local revenue	-	-	1,481	1,481
Total revenues	129,118	129,338	1,064,826	1,058,125
EXPENDITURES:				
Direct Expenses:				
Salaries	68,376	68,549	185,407	185,407
Employee benefits	26,168	26,215	88,100	88,100
Travel	2,561	2,561	7,563	7,563
Contracts	-	-	280	280
Other	16,768	16,768	27,661	20,960
Total direct expenses	113,873	114,093	309,011	302,310
Shared expenses applied	15,245	15,245	43,140	43,140
Sub-total expenditures	129,118	129,338	352,151	345,450
Sub-recipients/sub-grantees	-	-	712,675	712,675
Total expenditures	129,118	129,338	1,064,826	1,058,125
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from):	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Congregate Meals		Home Delivered Meals		Preventive Health	
320-302		320-303		320-304	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 220,430	\$ 217,609	\$ 285,393	\$ 285,393	\$ 20,112	\$ 19,027
39,273	39,273	34,295	34,295	-	-
-	-	-	-	-	-
19,737	19,737	64,777	64,777	-	-
-	-	-	-	-	-
2,400	2,400	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>281,840</u>	<u>279,019</u>	<u>384,465</u>	<u>384,465</u>	<u>20,112</u>	<u>19,027</u>
7,211	7,211	-	-	900	900
552	552	-	-	407	407
-	-	-	-	177	177
5,301	2,480	-	-	-	-
634	634	-	-	1,770	685
<u>13,698</u>	<u>10,877</u>	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>2,169</u>
<u>1,240</u>	<u>1,240</u>	<u>-</u>	<u>-</u>	<u>210</u>	<u>210</u>
14,938	12,117	-	-	3,464	2,379
<u>266,902</u>	<u>266,902</u>	<u>384,465</u>	<u>384,465</u>	<u>16,648</u>	<u>16,648</u>
<u>281,840</u>	<u>279,019</u>	<u>384,465</u>	<u>384,465</u>	<u>20,112</u>	<u>19,027</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE III
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Caregiver Administration		Caregiver Support	
	320-308		320-309	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 13,368	\$ 13,368	\$ 154,052	\$ 124,757
State	-	-	22,947	22,947
Local funds applied	4,479	4,479	2,285	2,285
Match - cash	-	-	3,515	3,515
Match - In kind	-	-	12,072	12,072
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	766	766
Total revenues	17,847	17,847	195,637	166,342
EXPENDITURES:				
Direct Expenses:				
Salaries	10,945	11,069	38,037	38,037
Employee benefits	4,339	4,317	17,431	17,431
Travel	422	5	1,525	1,525
Contracts	-	-	-	-
Other	205	-	2,240	2,240
Total direct expenses	15,911	15,391	59,233	59,233
Shared expenses applied	1,936	2,456	8,976	8,976
Sub-total expenditures	17,847	17,847	68,209	68,209
Sub-recipients/sub-grantees	-	-	127,428	98,133
Total expenditures	17,847	17,847	195,637	166,342
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from):	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Congregate Meals Admin. 320-316		Home Delivered Meals Admin. 320-317		Title III Totals	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 16,790	\$ 16,790	\$ 17,712	\$ 17,712	\$ 1,174,138	\$ 1,137,586
-	-	-	-	651,862	648,512
361	361	471	471	7,596	7,816
-	-	-	-	138,414	138,414
-	-	-	-	150,157	150,157
-	-	-	-	4,688	4,688
-	-	-	-	77	77
-	-	-	-	2,247	2,247
<u>17,151</u>	<u>17,151</u>	<u>18,183</u>	<u>18,183</u>	<u>2,129,179</u>	<u>2,089,497</u>
10,115	10,115	10,682	10,682	331,673	331,970
4,530	4,530	4,784	4,784	146,311	146,336
127	127	205	205	12,580	12,163
-	-	-	-	5,581	2,760
-	-	-	-	49,278	41,287
<u>14,772</u>	<u>14,772</u>	<u>15,671</u>	<u>15,671</u>	<u>545,423</u>	<u>534,516</u>
<u>2,379</u>	<u>2,379</u>	<u>2,512</u>	<u>2,512</u>	<u>75,638</u>	<u>76,158</u>
17,151	17,151	18,183	18,183	621,061	610,674
-	-	-	-	1,508,118	1,478,823
<u>17,151</u>	<u>17,151</u>	<u>18,183</u>	<u>18,183</u>	<u>2,129,179</u>	<u>2,089,497</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE VII
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Elder Abuse		Ombudsman	
	320-305		320-306	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 5,119	\$ 5,119	\$ 8,446	\$ 8,446
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	925	925	2,670	2,670
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	6,044	6,044	11,116	11,116
EXPENDITURES:				
Direct Expenses:				
Salaries	2,978	2,978	4,164	4,164
Employee benefits	1,420	1,420	2,008	2,008
Travel	-	-	577	577
Contracts	-	-	-	-
Other	925	925	3,379	3,379
Total direct expenses	5,323	5,323	10,128	10,128
Shared expenses applied	721	721	988	988
Sub-total expenditures	6,044	6,044	11,116	11,116
Sub-recipients/sub-grantees	-	-	-	-
Total expenditures	6,044	6,044	11,116	11,116
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Ombudsman - Education 320-307		Title VII Totals	
Budget	Actual	Budget	Actual
\$ 15,000	\$ 15,000	\$ 28,565	\$ 28,565
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,595	3,595
-	-	-	-
-	-	-	-
255	255	255	255
15,255	15,255	32,415	32,415
492	540	7,634	7,682
208	222	3,636	3,650
-	1,205	577	1,782
-	-	-	-
14,466	13,158	18,770	17,462
15,166	15,125	30,617	30,576
89	130	1,798	1,839
15,255	15,255	32,415	32,415
-	-	-	-
15,255	15,255	32,415	32,415
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
HOMECARE
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Administration		Home Delivered Meals	
	321-320		321-321	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ -	\$ -	\$ -	\$ -
State	162,438	162,438	70,984	70,984
Local funds applied	2,259	2,259	-	-
Match - cash	-	-	5,336	5,336
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	139	139	-	-
Total revenues	164,836	164,836	76,320	76,320
EXPENDITURES:				
Direct Expenses:				
Salaries	99,355	99,355	-	-
Employee benefits	39,778	39,778	-	-
Travel	807	807	-	-
Contracts	-	-	-	-
Other	2,373	2,373	-	-
Total direct expenses	142,313	142,313	-	-
Shared expenses applied	22,523	22,523	-	-
Sub-total expenditures	164,836	164,836	-	-
Sub-recipients/sub-grantees	-	-	76,320	76,320
Total expenditures	164,836	164,836	76,320	76,320
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Social Services 321-322		Homecare Totals	
Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -
1,102,075	1,102,075	1,335,497	1,335,497
-	-	2,259	2,259
28,796	28,796	34,132	34,132
30,537	30,537	30,537	30,537
10,551	10,551	10,551	10,551
93	93	93	93
29,933	29,933	30,072	30,072
<u>1,201,985</u>	<u>1,201,985</u>	<u>1,443,141</u>	<u>1,443,141</u>
262,864	262,864	362,219	362,219
123,768	123,768	163,546	163,546
6,110	6,110	6,917	6,917
-	-	-	-
12,769	12,769	15,142	15,142
<u>405,511</u>	<u>405,511</u>	<u>547,824</u>	<u>547,824</u>
<u>58,283</u>	<u>58,283</u>	<u>80,806</u>	<u>80,806</u>
463,794	463,794	628,630	628,630
<u>738,191</u>	<u>738,191</u>	<u>814,511</u>	<u>814,511</u>
<u>1,201,985</u>	<u>1,201,985</u>	<u>1,443,141</u>	<u>1,443,141</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
PERSONAL CARE ATTENDANT
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Administration		Evaluation and Coordination	
	324-340		324-341	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ -	\$ -	\$ -	\$ -
State	7,725	7,717	519,666	519,666
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	<u>7,725</u>	<u>7,717</u>	<u>519,666</u>	<u>519,666</u>
EXPENDITURES:				
Direct Expenses:				
Salaries	4,705	4,715	-	-
Employee benefits	1,940	1,867	-	-
Travel	31	63	-	-
Contracts	-	-	-	-
Other	207	-	-	-
Total direct expenses	<u>6,883</u>	<u>6,645</u>	<u>-</u>	<u>-</u>
Shared expenses applied	<u>842</u>	<u>1,072</u>	<u>-</u>	<u>-</u>
Sub-total expenditures	<u>7,725</u>	<u>7,717</u>	<u>-</u>	<u>-</u>
Sub-recipients/sub-grantees	<u>-</u>	<u>-</u>	<u>519,666</u>	<u>519,666</u>
Total expenditures	<u>7,725</u>	<u>7,717</u>	<u>519,666</u>	<u>519,666</u>
Excess revenues (expenditures) before transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Personal Care Attendant	
Totals	
Budget	Actual
\$ -	\$ -
527,391	527,383
-	-
-	-
-	-
-	-
-	-
-	-
<u>527,391</u>	<u>527,383</u>
4,705	4,715
1,940	1,867
31	63
-	-
<u>207</u>	<u>-</u>
6,883	6,645
<u>842</u>	<u>1,072</u>
7,725	7,717
<u>519,666</u>	<u>519,666</u>
<u>527,391</u>	<u>527,383</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
SHIP
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	Administration		Regular	
	326-310		326-311	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 2,743	\$ 1,782	\$ 49,153	\$ 46,528
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	2,743	1,782	49,153	46,528
EXPENDITURES:				
Direct Expenses:				
Salaries	1,722	1,082	-	-
Employee benefits	727	444	-	-
Travel	-	-	-	-
Contracts	-	-	-	-
Other	-	-	-	-
Total direct expenses	2,449	1,526	-	-
Shared expenses applied	294	256	-	-
Sub-total expenditures	2,743	1,782	-	-
Sub-recipients/sub-grantees	-	-	49,153	46,528
Total expenditures	2,743	1,782	49,153	46,528
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

SHIP	
Totals	
Budget	Actual
\$ 51,896	\$ 48,310
-	-
-	-
-	-
-	-
-	-
-	-
51,896	48,310
1,722	1,082
727	444
-	-
-	-
-	-
2,449	1,526
294	256
2,743	1,782
49,153	46,528
51,896	48,310
-	-
-	-
\$ -	\$ -

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
CDO
PERIOD PERFORMANCE: JULY 1, 2017 TO JUNE 30, 2018**

Work Element	CDO Financial Management 134-552		CDO Program 334-552	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 599,138	\$ 599,138	\$ -	\$ -
State	-	-	6,589,542	6,589,542
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	81,384	81,384
Interest income	-	-	66	66
Local revenue	-	-	14,595	14,595
Total revenues	599,138	599,138	6,685,587	6,685,587
EXPENDITURES:				
Direct Expenses:				
Salaries	199,734	199,734	708,635	708,635
Employee benefits	78,812	78,812	294,807	294,807
Travel	41	41	35,612	35,612
Contracts	-	-	-	-
Other	52,554	52,554	40,206	40,206
Total direct expenses	331,141	331,141	1,079,260	1,079,260
Shared expenses applied	43,793	43,793	161,675	161,675
Sub-total expenditures	374,934	374,934	1,240,935	1,240,935
Sub-recipients/sub-grantees	-	-	5,764,916	5,764,916
Total expenditures	374,934	374,934	7,005,851	7,005,851
Excess revenues (expenditures) before transfers to (from)	224,204	224,204	(320,264)	(320,264)
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ 224,204	\$ 224,204	\$ (320,264)	\$ (320,264)

The accompanying notes are an integral part of these financial statements.

CDO	
Totals	
Budget	Actual
\$ 599,138	\$ 599,138
6,589,542	6,589,542
-	-
-	-
-	-
81,384	81,384
66	66
14,595	14,595
<u>7,284,725</u>	<u>7,284,725</u>
908,369	908,369
373,619	373,619
35,653	35,653
-	-
92,760	92,760
<u>1,410,401</u>	<u>1,410,401</u>
205,468	205,468
1,615,869	1,615,869
<u>5,764,916</u>	<u>5,764,916</u>
<u>7,380,785</u>	<u>7,380,785</u>
<u>(96,060)</u>	<u>(96,060)</u>
-	-
<u>\$ (96,060)</u>	<u>\$ (96,060)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ALLOCATED COSTS CLAIMED
YEAR ENDED JUNE 30, 2018**

	<u>Costs Claimed</u>
Shared Expenses:	
Salaries	\$ 66,615
Employee benefits	20,301
Travel	9,225
Contractual	87,528
Other	
Financing costs	\$ 68,556
Miscellaneous	161,700
Depreciation	111,553
Insurance	75,053
Postage	6,334
Telephone	8,505
Consumable supplies	22,558
Utilities	29,602
Computer software and hardware	28,103
Janitor service	18,746
Organizational dues	2,200
Registration	2,953
Marketing and advertising	3,787
Total other	539,650
Total shared expenses	723,319
Shared expenses allocated (1)	(723,319)
Shared expenses over applied	\$ -

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.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 – BASIS OF ACCOUNTING

The supplementary information has been prepared in accordance with the reporting requirements of the various funding authorities. These requirements include the accrual basis of accounting and the inclusion of all reported fund sources and expenditures related to the contracts. Accordingly, the supplementary information includes the sub-grantees' reported program income, cash match and in-kind match. The supplementary information does not include statements of assets and liabilities of the programs. As such, these requirements differ from accounting principles generally accepted in the United States of America.

NOTE 2 – SUB-GRANTEE MATCH INFORMATION

As stated in Note 1 above, the supplementary information includes the reported program income and match information of the sub-grantees. With the exception of RC Durr YMCA of Greater Cincinnati, Owenton Manor, The Visiting Nurses Association of Greater Cincinnati, Community Services of NKY, Carroll County Fiscal Court, Gallatin County Fiscal Court, Pendleton County Fiscal Court, Owen County Fiscal Court, and Help at Home, the sub-grantees providing match information are to be audited by independent certified public accountants in accordance with criteria established by terms of their agreements. Their audit reports will be furnished to the Northern Kentucky Area Development District and will be available for review by the appropriate state agencies. The sub-grantees providing match under each contract are as follows:

Cabinet for Health and Family Services Contract

The Visiting Nurse Association of Greater Cincinnati, and Northern Kentucky
Legal Aid of the Bluegrass
Lifeline Homecare, Inc.
Visiting Angels, Inc.
Campbell County Fiscal Court
Community Services of Northern Kentucky
Helping Hands
Help at Home
PurFood LLC (MOMS Meals)
Wesley Community Service
Northern Kentucky Community Action Commission
RC Durr YMCA of Greater Cincinnati
Carroll County Fiscal Court
Gallatin County Fiscal Court
Pendleton County Fiscal Court
Owen County Fiscal Court

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Northern Kentucky Area Development District's basic financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Kentucky Area Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Kentucky Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Kentucky Area Development District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Kentucky Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report
(Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

February 14, 2019
Crestview Hills, Kentucky

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Northern Kentucky Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northern Kentucky Area Development District's major federal programs for the year ended June 30, 2018. Northern Kentucky Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northern Kentucky Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Kentucky Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northern Kentucky Area Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Kentucky Area Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Independent Auditors' Report
(Continued)**

Report on Internal Control over Compliance

Management of Northern Kentucky Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northern Kentucky Area Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern Kentucky Area Development District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

February 14, 2019
Crestview Hills, Kentucky

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number
U. S. Department of Agriculture		
Passed through Kentucky Department of Agriculture Commodity Supplemental Food Program	10.565	PON2-035 1600002217 1
The Emergency Food Assistance Cluster:		
Passed through Kentucky Department of Agriculture CASH:		
The Emergency Food Assistance Program (Administration)	10.568	PON2-035 1600002207 1
NONCASH:		
The Emergency Food Assistance Program (Food Commodities)	10.569	PON2-035 1600002207 1
Sub-total for the Emergency Food Assistance Cluster		
Sub-total for U.S. Department of Agriculture		
U. S. Department of Commerce		
Passed through Governors Office of Local Development: Economic Development Administration Partnership Planning Grant	11.302	PON2-112 1800000296
Economic Adjustment Assistance: Revolving loan fund	11.307	04-19-59014
Sub-total for U.S. Department of Commerce		
U. S. Department of Housing and Urban Development		
Passed through Governors Office of Local Development: Community Development Block Grant	14.228	PON2-112 1800000296
Sub-total for U.S. Department of Housing and Urban Development		
U. S. Department of Labor		
Passed through Kentucky Cabinet for Workforce Development Workforce Innovation and Opportunity Act Cluster:		
WIOA Adult Program	17.258	27316
WIOA Adult Program	17.258	27017
WIOA Adult Program	17.258	27317
WIOA Adult Program	17.258	27318
WIOA Adult Program	17.258	27018
WIOA Youth Activities	17.259	27417
WIOA Youth Activities	17.259	27418
WIOA Dislocated Workers	17.278	27218
WIOA Dislocated Workers	17.278	27118
WIOA Dislocated Workers	17.278	27116
WIOA Dislocated Workers	17.278	27217
WIOA Dislocated Workers	17.278	27117
Sub-total for Workforce Innovation and Opportunity Act Cluster		
Medicaid IT Support Grant	17.277	25818
Trade Adjustment Assistance	17.245	20516
Trade Adjustment Assistance	17.245	20515
Sub-total for U.S. Department of Labor		

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

Program Award Amounts	Federal Expenditures	Sub-recipient
\$ 100,000	\$ 63,521	\$ -
100,000	77,552	-
	619,094	619,094
	696,646	619,094
	760,167	619,094
70,000	70,000	-
500,000	418,272	-
	488,272	-
19,739	19,739	-
	19,739	-
185,623	151,902	-
87,935	11,068	-
602,628	237,134	50,991
584,718	453,012	303,401
89,127	82,847	58,875
671,330	376,403	66,010
656,982	446,484	358,507
123,185	113,128	30,632
656,241	550,938	377,515
334,554	328,243	328,243
104,792	5,331	-
697,742	98,569	18,500
	2,855,059	1,592,674
290,000	117,970	-
240,693	15,414	15,414
116,807	12,477	12,477
	3,000,920	1,620,565

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number
U. S. Transportation Department		
Passed through Kentucky Transportation Department		
Kentucky Transportation Planning	20.505	G04S704Z
Kentucky Transportation Delivery	20.513	C10NK16111
Sub-total for Kentucky Transportation Department		
Passed through Ohio Kentucky Indiana Regional Council of Government		
Mobility Manager Grant	20.513	FAIN OH-2017-005-02-02
Sub-total for U.S. Transportation Department		
U. S. Environmental Protection Agency		
Passed through U.S. Environmental Protection Agency Region 4		
Brownfields Assessment/Cleanup Cooperative Agreements	66.818	BF-00D24914-0
Brownfields RLF Program	66.818	BF-95498512
Sub-total for U.S. Environmental Protection Agency		
U. S. Department of Health and Human Services		
Passed through Kentucky Cabinet for Health and Family Services:		
Aging Cluster:		
Title III, Part B Support Services	93.044	PON2-725 1700002624
Title III, Part B Support Services (Administration)	93.044	PON2-725 1700002624
Title III, Part C Nutrition Services	93.045	PON2-725 1700002624
Title III, Part C Nutrition Services	93.045	PON2-725 1700002624
Nutrition Services Incentive Program, NSIP	93.053	PON2-725 1800000566
Sub-total for Aging Cluster		
Title VII, Elder Abuse Prevention	93.041	PON2-725 1700002626
Title VII, Ombudsman	93.042	PON2-725 1700002626
Title VII, Ombudsman Education	93.042	PON2-725 1700002634
Title III, Part D Preventive Health	93.043	PON2-725 1700002624
Title III, Part E Family Caregiver Support (Administration)	93.052	PON2-725 1700002624
Title III, Part E Family Caregiver Support	93.052	PON2-725 1700002624
Functional Assessment Service Terms	93.069	PON2-725 1700002632
MIPPA SHIP	93.071	PON2-725 18000000579
MIPPA SHIP	93.071	PON2-725 17000000082
MIPPA AAA	93.071	PON2-725 18000000579
MIPPA ADRC	93.071	PON2-725 18000000579
Centers for Medicare & Medicaid Services, CMS - (SHIP)	93.324	PON2-725 1700002623
Temporary Assistance for Needy Families - KY Works	93.558	PON2-736 1600001915
Medicaid ADRC	93.778	PON2-725 1700002631
Improving Arthritis Outcomes	93.945	PON2-725 1700002633
Sub-total for U.S. Department of Health and Human Services		
Total Federal Expenditures		
Total Federal Expenditures - Cash		
Total Federal Expenditures - Non-cash		

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

<u>Program Award Amounts</u>	<u>Federal Expenditures</u>	<u>Sub-recipient</u>
30,000	30,000	-
72,000	70,950	70,950
	100,950	70,950
80,000	29,842	-
	130,792	70,950
600,000	107,024	-
850,000	453,158	200,000
	560,182	200,000
384,369	377,294	139,665
54,983	54,983	-
237,219	234,399	217,609
303,105	303,105	285,609
69,298	47,093	47,093
	1,016,874	689,976
5,119	5,119	-
8,446	8,446	-
15,000	15,000	-
19,848	19,027	16,648
13,368	13,368	-
154,052	124,757	79,027
1,000	214	-
23,323	17,496	17,496
30,379	2,829	2,829
11,653	8,739	8,739
4,563	3,420	3,420
51,896	48,310	46,528
938,694	715,852	15,474
14,040	10,653	-
3,000	173	-
	2,010,277	880,137
	\$ 6,970,349	\$ 3,390,746
	\$ 6,351,255	\$ 2,771,652
	\$ 619,094	\$ 619,094

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northern Kentucky Area Development District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of NKADD, it is not intended to and does not present the financial position, changes in net position or cash flows of the NKADD. Although many of these programs are jointly funded by Federal, Kentucky and local sources, only Federal expenditures are reported on this schedule. The amounts shown are based on the Federal share of the combined allocations.

Note 2 – Summary of Significant Accounting

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The NKADD has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Revolving Loan Fund Calculation

Balance of loans outstanding	\$298,716
Plus: Cash and investment balance	98,158
Plus: Administrative expenses	7,607
Plus: Loans written off during the fiscal year	<u>13,791</u>
Subtotal	418,272
Multiplied by federal share of initial capitalization	<u>100%</u>
Total	<u>\$418,272</u>

Note 4 – Reconciliation of Federal Revenues - Cash

Statement of Revenues, Expenditures and Changes in Fund Balance (page 10)	
Federal Revenues	\$6,766,662
Less: CDO (Federal Medicaid)	(599,138)
Adjustment for Revolving Loan Fund	
Amount reported on page 10	(234,541)
Amount reported on page 65	<u>418,272</u>
Federal Expenditures–Cash	
Schedule of Expenditures of Federal Awards (page 67)	<u>\$6,351,255</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Note 5 – Reconciliation of Cabinet for Health and Family Services, Title III, Support Services

In the Statements of Operations by Program for Cabinet for Health and Family Services - Title III, the federal revenue includes revenue from Medicaid ADRC.

Schedule of Expenditures of Federal Awards (page 67)

Title III, Part B Support Services	\$ 377,294
Medicaid ADRC	<u>10,653</u>
Total, Federal revenue reported on page 44	<u>\$ 387,947</u>

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? _____ Yes X No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? _____ Yes X No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs

CFDA No.	Name of Federal Programs or Clusters
17.258	
17.259	WIOA Cluster Program
17.278	

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reportable.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2018**

Reference Number	Summary of Finding	Status
No matters are reportable		