

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2019**

**WITH**

**Independent Auditors' Reports**

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2019**

**WITH**

**Independent Auditors' Reports**

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NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2019

WITH

Independent Auditors' Reports

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Northern Kentucky Area Development District  
Florence, KY

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Kentucky Area Development District, as of and for the year ended June 30, 2019, 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **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 schedules for pension and other postemployment benefits plans, as listed in the table of contents 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 program and the statement of allocated costs 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 and program, the statement of allocated costs, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of operations by grant and program and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of the 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 solely 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.



January 9, 2020  
Crestview Hills, KY

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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, 2019. 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 \$(5,209,985), an increase of \$938,401 or 21.97% over FY 2018 negative net position.
- In the governmental funds, total revenues during the fiscal year decreased by \$43,320 and total expenditures increased by \$115,468.
- At the close of the fiscal year, the NKADD's governmental fund balance was \$2,769,101 a decrease of \$351,967 from June 30, 2018.

**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  
JUNE 30, 2019  
(Continued)**

**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 \$5,209,985. The beginning net position was a negative \$(4,271,584). The unrestricted net position as of June 30, 2019 was a negative \$(6,071,397).

Total governmental funds revenue for the period ending June 30, 2019 was \$18,997,038. For the previous fiscal year, the total revenue was \$19,040,358. This results in a .23% decrease in revenues. The net decrease in revenues for FY 2019 is due to changes in multiple programs across federal, state, and local funding with higher levels of state revenue and lower levels of federal and local funding.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

**Table 1  
Net Position**

	<u>FY '19</u>	<u>FY '18</u>
Current and other assets	\$ 5,472,194	\$ 5,596,279
Capital assets	<u>2,432,857</u>	<u>2,492,880</u>
Total assets	7,905,051	8,089,159
Deferred outflows of resources	<u>2,141,614</u>	<u>2,658,781</u>
Total assets and deferred outflows	<u>\$10,046,665</u>	<u>\$10,747,940</u>
Current liabilities	\$ 2,735,181	\$ 2,508,499
Net pension liability	7,599,239	7,428,842
Net OPEB liability	2,215,284	2,551,466
Long term debt	<u>1,850,682</u>	<u>1,971,345</u>
Total liabilities	14,400,386	14,460,152
Deferred inflows of resources	<u>856,264</u>	<u>559,372</u>
Total liabilities and deferred inflows	<u>\$15,256,650</u>	<u>\$15,019,524</u>
Investment in capital assets, net of related debt items	\$ 582,175	\$ 521,535
Restricted for:		
Building construction	32,144	33,335
Loan program	247,093	299,439
Unrestricted	<u>(6,071,397)</u>	<u>(5,125,893)</u>
Total net position	<u>\$ (5,209,985)</u>	<u>\$ (4,271,584)</u>

**Table 2  
Change in Net Position**

	<u>FY '19</u>	<u>FY '18</u>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 204,668	\$ 334,323
Operating grants and contributions	18,668,886	18,620,349
General revenues		
Municipal contributions	70,943	38,985
Interest income	<u>195</u>	<u>608</u>
Total revenues	<u>18,944,692</u>	<u>18,994,265</u>
<b>PROGRAM EXPENSES</b>		
Cabinet for Health and Family Services	12,396,455	11,618,232
Workforce Innovation & Opportunity Act	2,930,068	3,181,198
Commodities	1,502,206	772,885
Loan Program	19,213	21,530
Joint Funding Administration	233,804	230,670
Other federal contracts	1,195,013	1,560,376
Other state contracts	222,759	790,450
Other local contracts	1,384,775	1,533,592
Interest on long term debt	<u>(1,200)</u>	<u>(1,150)</u>
Total expenses	<u>19,883,093</u>	<u>19,707,783</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (938,401)</u>	<u>\$ (713,518)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

**General Fund Budgetary Highlights**

In Fiscal Year 2019, the NKADD had an initial total projected budget of \$18,215,569 in revenues and \$18,179,896 in expenditures and net other financing uses, with net change in fund balance of \$35,673. Of these dollars \$12,000,000 were projected pass-thru. During Fiscal Year 2019, the budget was amended to decrease revenues to \$17,752,588 and increase expenditures and net other financing uses to \$18,768,408. The actual revenues on the budgetary basis for Fiscal Year 2019 were \$17,662,676 and \$17,962,297 in actual expenditures and net other financing uses, compared to Fiscal Year 2018 revenues of \$18,175,857 and expenditures and net other financing uses of \$18,365,841.

**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, 2019 and June 30, 2018. This represents the only capital asset not depreciated. The office building has a historical cost of \$2,927,591 for both June 30, 2019 and June 30, 2018. The accumulated depreciation for the office building at June 30, 2019 was \$960,135 and at June 30, 2018 was \$875,667. The increase of \$84,468 was depreciation expense for fiscal year 2019. Computer equipment has a historical cost of \$549,793 for June 30, 2019 and \$516,472 for June 30, 2018. During the fiscal year there were additions to computer equipment for \$99,110 and disposals of \$65,789. Accumulated depreciation for computer equipment was \$375,345 at June 30, 2019 and \$389,804 at June 30, 2018. Accumulated depreciation for computer equipment increased \$51,021 for depreciation, and decreased \$65,480 for disposals. Furniture and fixtures have a historical cost of \$254,090 for June 30, 2019 and \$282,152 for June 30, 2018. During the fiscal year there were disposals to furniture and fixtures of \$28,062. The accumulated depreciation for furniture and fixtures was \$220,079 at June 30, 2019 and \$235,966 at June 30, 2018. Accumulated depreciation for furniture and fixtures increased \$12,175 for depreciation, and decreased \$28,062 for disposals. Computer software has a historical cost of \$76,888 for both June 30, 2019 and June 30, 2018. The accumulated depreciation for computer software was \$46,921 at June 30, 2019 and \$35,761 at June 30, 2018. Accumulated depreciation for computer software increased \$11,160 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 \$1,840,000 at June 30, 2019. The debt service total principal and interest for Fiscal Year 2020 will be \$184,175.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

**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 2020, budgeted revenues are \$18,087,297 and expenditures are \$18,087,289. The difference between Fiscal Year 2020 budgeted revenues and expenditures is \$8.

Retirement costs continue to be a long-term financial issue for NKADD. The Fiscal Year 2020 employer contribution rate for NKADD in the County Employees Retirement System (CERS) is 24.06%. In Fiscal Year 2021, the CERS rate will increase; however, the exact rate is pending the outcome of the pension reform.

In 2020, the Kentucky General Assembly will conduct a regular budget session. The budget situation will continue to be tight, and new avenues for revenue for NKADD programs are not anticipated. NKADD is making adjustments in an attempt to alleviate stagnant and/or decreasing funding along with increasing expenses, and thus anticipates being better positioned for FY'20. These include not only costs reductions, but also diversification of funding, efficiencies of technology solutions 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, 2019 was \$2,319,402 compared to \$2,675,386 at the end of Fiscal Year 2018. 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, 2019 was a negative \$(6,071,397) compared to a negative \$(5,125,893) at the end of Fiscal Year 2018.

**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, 2019**

	Primary Governmental
<b>- ASSETS -</b>	
Cash - building construction account	\$ 32,144
Accounts receivable	4,872,897
Prepaid expenses	118,742
Loans receivable	
Due within one year	78,325
Due in more than one year	370,086
Capital assets, net	2,432,857
<b>Total assets</b>	<b>7,905,051</b>
<b>- DEFERRED OUTFLOWS OF RESOURCES -</b>	
Deferred outflows related to pension plan	1,498,668
Deferred outflows related to OPEB	642,946
<b>Total deferred outflows of resources</b>	<b>2,141,614</b>
<b>- LIABILITIES -</b>	
Cash overdraft	361,839
Accounts payable	663,323
Accrued expenses	236,643
Funds received in excess of revenues earned	1,356,659
Employees accrued annual leave	116,717
Long-term liabilities:	
Due within one year	120,000
Due in more than one year	
Long-term debt	1,730,682
Net pension liability	7,599,239
Net OPEB liability	2,215,284
<b>Total liabilities</b>	<b>14,400,386</b>
<b>- DEFERRED INFLOWS OF RESOURCES -</b>	
Deferred inflows related to pension plan	396,853
Deferred inflows related to OPEB	459,411
<b>Total deferred inflows of resources</b>	<b>856,264</b>
<b>- NET POSITION -</b>	
Investment in capital assets, net of related debt items	582,175
Restricted for:	
Building construction	32,144
Loan program	247,093
Unrestricted	(6,071,397)
<b>Total net position</b>	<b>\$ (5,209,985)</b>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Cabinet for Health and Family Services	\$ 12,020,693	\$ 375,762	\$ 65	\$ 11,912,201	\$ (484,189)
Workforce Innovation & Opportunity Act	2,814,387	115,681	-	2,827,334	(102,734)
Commodities	1,486,416	15,790	2	1,488,866	(13,338)
Loan Program	16,911	2,302	14,962	(50,026)	(54,277)
Joint Funding Administration	207,049	26,755	-	208,821	(24,983)
Other federal contracts	1,072,526	122,487	-	1,094,026	(100,987)
Other state contracts	199,302	23,457	-	200,711	(22,048)
Other local contracts	1,341,416	43,359	189,639	986,953	(208,183)
Interest on long term debt	64,712	(65,912)	-	-	1,200
<b>Total governmental activities</b>	<b>19,223,412</b>	<b>659,681</b>	<b>204,668</b>	<b>18,668,886</b>	<b>(1,009,539)</b>
<b>GENERAL REVENUES:</b>					
Municipal contributions					70,943
Interest income					195
<b>Total general revenues</b>					<b>71,138</b>
<b>Change in net position</b>					<b>(938,401)</b>
<b>NET POSITION, BEGINNING</b>					<b>(4,271,584)</b>
<b>NET POSITION, ENDING</b>					<b>\$ (5,209,985)</b>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General	Special Revenue	Total Governmental Funds
<b>- ASSETS -</b>			
Cash - building construction account	\$ 32,144	\$ -	\$ 32,144
Accounts receivable	4,872,897	-	4,872,897
Prepaid expenses	118,742	-	118,742
Loans receivable	-	448,411	448,411
Due (to)/from other funds	4,112	(4,112)	-
<b>Total assets</b>	<u>\$ 5,027,895</u>	<u>\$ 444,299</u>	<u>\$ 5,472,194</u>
<b>- LIABILITIES AND FUNDS EQUITY -</b>			
<b>- LIABILITIES -</b>			
Cash overdraft	\$ 361,839	\$ -	\$ 361,839
Accounts payable	663,323	-	663,323
Accrued expenses	204,555	-	204,555
Funds received in excess of revenues earned	1,211,173	145,486	1,356,659
Employees accrued annual leave	116,717	-	116,717
<b>Total liabilities</b>	<u>2,557,607</u>	<u>145,486</u>	<u>2,703,093</u>
<b>- FUND BALANCES -</b>			
Non-spendable			
Prepaid expenses	118,742	-	118,742
Restricted			
Building construction	32,144	-	32,144
Loan program	-	247,093	247,093
Assigned			
Working capital	-	51,720	51,720
Unassigned	2,319,402	-	2,319,402
<b>Total fund balances</b>	<u>2,470,288</u>	<u>298,813</u>	<u>2,769,101</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,027,895</u>	<u>\$ 444,299</u>	<u>\$ 5,472,194</u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total fund balance - governmental funds</b>	\$	2,769,101
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,432,857
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	\$	(1,840,000)
Net pension liability		(7,599,239)
Net OPEB liability		(2,215,284)
		(11,654,523)
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		(32,088)
Bond premium		(10,682)
		(42,770)
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		1,498,668
Deferred inflows of resources		(396,853)
		1,101,815
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		642,946
Deferred inflows of resources		(459,411)
		183,535
 <i>Net position (deficit) of governmental activities</i>	 \$	 <u><u>(5,209,985)</u></u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	General	Special Revenue	Totals
<b>REVENUES:</b>			
Applied to all programs:			
Federal revenues	\$ 5,829,133	\$ (4,489)	\$ 5,824,644
State revenues	10,274,711	-	10,274,711
Federal commodities	1,323,370	-	1,323,370
Interest income	262	14,962	15,224
Local revenues	1,558,570	519	1,559,089
<b>Net revenues</b>	<u>18,986,046</u>	<u>10,992</u>	<u>18,997,038</u>
<b>EXPENDITURES:</b>			
CHFS - other sub-grantees	9,061,387	-	9,061,387
WIOA sub-grantees	1,910,927	-	1,910,927
Commodities	1,323,370	-	1,323,370
Other federal contracts sub-grantees	27,754	-	27,754
Other state contracts sub-grantees	-	-	-
Other local contracts sub-grantees	541,741	-	541,741
Direct salaries	3,117,543	9,540	3,127,083
Direct employee benefits	1,413,752	4,687	1,418,439
Direct travel	103,315	9	103,324
Direct contracts	336,213	625	336,838
Uncollectible government funds	121,057	-	121,057
Direct other	468,960	119	469,079
Direct local non-grant expenses	117,875	-	117,875
Shared expenses	723,291	2,302	725,593
<b>Total expenditures</b>	<u>19,267,185</u>	<u>17,282</u>	<u>19,284,467</u>
<b>Excess of revenues (expenditures)</b>	<u>(281,139)</u>	<u>(6,290)</u>	<u>(287,429)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating sources in	107,808	6,290	114,098
Operating uses out	(126,290)	(52,346)	(178,636)
<b>Net other financing sources (uses)</b>	<u>(18,482)</u>	<u>(46,056)</u>	<u>(64,538)</u>
<b>Net change in fund balances</b>	(299,621)	(52,346)	(351,967)
<b>Fund balances - beginning of year</b>	<u>2,769,909</u>	<u>351,159</u>	<u>3,121,068</u>
<b>Fund balances - end of year</b>	<u>\$ 2,470,288</u>	<u>\$ 298,813</u>	<u>\$ 2,769,101</u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**Net change in fund balances - total government funds** \$ (351,967)

*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 (\$158,824) and loss on disposal (\$309) exceeded capital outlays (\$99,110). (60,023)

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	\$	120,000	
Accretion of bond premium		662	
Difference between interest expense on modified accrual basis vs. accrual basis		1,200	
			121,862

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		508,135	
Cost of benefits earned		(1,076,199)	
			(568,064)

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		164,784	
Cost of benefits earned		(244,993)	
			(80,209)

***Change in Net Position of Governmental Activities*** **\$ (938,401)**

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Northern Kentucky Area Development NKADD (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, 2016, the NKADD implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, GASB Statement No. 68 required disclosure of information related to pension benefits. 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 NKADD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019 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 NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 plus unamortized premium 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 expenditures.

**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 NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, the carrying amount of the NKADD's deposits (cash and cash equivalents) was \$(329,695) and the bank balances totaled \$454,337. The building construction account balance was \$56, 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 NKADDs 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, 2019.

NKADD leases office space for the Kentucky Workforce Investment Board, Inc. under an operating lease. The current year lease costs approximate \$3,000. There were no minimum future rental payments under this cancelable lease having remaining terms in excess of one year as of June 30, 2019.

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 \$211,948. The current year gross sublease income was \$85,446. The approximate future minimum lease payments relative to these leases as of June 30, 2019 are summarized as follows:

<u>Fiscal Year Ending June 30</u>	
2020	\$ 212,168
2021	212,168
2022	29,220
2023	4,196
2024 and after	-
	<u>\$ 457,752</u>

Total minimum lease payments have not been reduced by \$178,013 to be received in the future under non-cancelable subleases.

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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	Before September 1, 2008
	Unreduced Retirement	27 years of service or 65 years old
	Reduced Retirement	At least 5 years of service or 55 years old, or At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years of service or 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years of service or 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	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 compensation plus an additional 1% of creditable compensation which is credited 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, 2019 was 21.48%, of which 16.22% was for the pension fund and 5.26% was for the insurance fund. Contributions to the pension plan from the NKADD were \$672,919 for the year ended June 30, 2019, of which \$508,135 was for the pension fund and \$164,784 was for the insurance fund.

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, the NKADD reported a liability of \$7,599,239 for its proportionate share of the net pension liability. The net pension liability was based on an actuarial valuation performed on June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. The NKADD’s proportionate share of the net pension liability was determined using the NKADDs’ actual contributions for the fiscal year ending June 30, 2018. This method was expected to be reflective of the NKADDs’ long-term contribution effort. At June 30, 2018, the NKADD’s proportion was 0.124776%, which was a decrease of 0.002141% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the NKADD recognized pension expense of \$1,070,657. At June 30, 2019, 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	\$ 247,866	\$ 111,237
Changes of assumptions	742,667	-
Net difference between projected and actual earnings on plan investments	-	91,119
Changes in proportion and differences between NKADD contributions and proportionate share of contributions	-	194,497
NKADD contributions subsequent to the measurement date	508,135	-
	\$ 1,498,668	\$ 396,853

The \$508,135 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, 2020. 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:	
2020	\$ 495,644
2021	240,680
2022	(101,858)
2023	(40,786)
2024	-
	\$ 593,680

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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%
Investment rate of return	6.25%

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.

*Changes of assumptions.* Since the prior measurement date, there were no changes in assumptions.

*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 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

*Long-Term Expected Rate of Return.* The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	14.50%
International Equity	17.50%	13.75%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	23.75%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100%	

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 – EMPLOYEE’S PENSION PLAN (CONTINUED)**

*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	\$ 9,566,654	\$ 7,599,239	\$ 5,950,889

*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, 2019, \$105,465 was payable to the pension plan, of which \$79,639 was for the pension fund and \$25,826 was for the insurance fund.

**NOTE 5 – POSTEMPLOYMENT BENEFITS**

*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 61.701, 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 <https://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 regard 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 2018 is \$13.38 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

*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 compensation 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, 2019 was 21.48%, of which 16.22 % was for the pension fund and 5.26% 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, 2019, the NKADD reported a liability of \$2,215,284 for its proportionate share of the net OPEB liability. The net OPEB liability was based on an actuarial valuation performed on June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). The NKADD’s proportionate share of the net OPEB liability was determined using the NKADDs’ actual contributions for the fiscal year ending June 30, 2018. This method is expected to be reflective of the NKADDs’ long-term contribution effort. At June 30, 2018, the NKADD’s proportion was 0.124771%, which was an decrease of 0.002146% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the NKADD recognized OPEB expense of \$274,188. At June 30, 2019, the NKADD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 258,162
Changes of assumptions	442,425	5,118
Net difference between projected and actual earnings on plan investments	-	152,590
Changes in proportion and differences between NKADD contributions and proportionate share of contributions	-	43,541
NKADD contributions subsequent to the measurement date	200,521	-
	<u>\$ 642,946</u>	<u>\$ 459,411</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

The \$200,521 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (546)
2021	(546)
2022	(546)
2023	29,089
2024	(27,662)
2025	(16,775)
	<u>\$ (16,986)</u>

*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%
Payroll growth rate	2.00%
Salary increases	3.05%, average
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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.

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Discount rate.* The discount rate used to measure the total OPEB liability was 5.85%. 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 25-year (closed) 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 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. 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 trusts. Therefore, the municipal bond rate was applied to the future expected benefit 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. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note 4.

*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 5.85%, as well as what the NKADD’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85 %) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
NKADD's proportionate share of the net OPEB liability	\$ 2,877,299	\$ 2,215,284	\$ 1,651,369

*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 of 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:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
NKADD's proportionate share of the net OPEB liability	\$ 1,649,301	\$ 2,215,284	\$ 2,882,416

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

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

**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 10<sup>th</sup> of the following month. See Note 4 Employee’s Pension Plan for payable as of June 30, 2019.

**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>
<b>Governmental activities:</b>				
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	76,888	-	-	76,888
Computer equipment	516,472	99,110	(65,789)	549,793
Furniture and fixtures	<u>282,152</u>	_____ -	<u>(28,062)</u>	<u>254,090</u>
Total capital assets being depreciated	<u>3,803,103</u>	<u>99,110</u>	<u>(93,851)</u>	<u>3,808,362</u>
Less accumulated depreciation for:				
Buildings and improvements	(875,667)	(84,468)	-	(960,135)
Computer software	(35,761)	(11,160)	-	(46,921)
Computer equipment	(389,804)	(51,021)	65,480	(375,345)
Furniture and fixtures	<u>(235,966)</u>	<u>(12,175)</u>	<u>28,062</u>	<u>(220,079)</u>
Total accumulated depreciation	<u>(1,537,198)</u>	<u>(158,824)</u>	<u>93,542</u>	<u>(1,602,480)</u>
Other capital assets, net	<u>2,265,905</u>	<u>(59,714)</u>	<u>(309)</u>	<u>2,205,882</u>
Governmental activities capital assets, net	\$ <u>2,492,880</u>	\$ <u>(59,714)</u>	\$ <u>(309)</u>	\$ <u>2,432,857</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – LONG TERM DEBT**

The following is a summary of changes in the long term debt for the year ended June 30, 2019:

	Balance			Balance June 30, 2019
	June 30, 2018	Increase	Decrease	
Lease Obligation	\$ 1,960,000	\$ -	\$ (120,000)	\$ 1,840,000
Premium on long-term debt	11,345	-	\$ (663)	10,682
Total long term debt	<u>\$ 1,971,345</u>	<u>\$ -</u>	<u>\$ (120,663)</u>	<u>\$ 1,850,682</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>
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>\$ 1,840,000</u>	<u>\$ 527,450</u>	<u>\$ 2,367,450</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	\$ (120,000)	\$ -
Transfer from general fixed assets	107,445	-
Loss on disposal of fixed assets	309	-
Net capital lease activity	54	-
Transfer from general fund to special revenue fund	(6,290)	6,290
Net revolving loan principal activity	-	(52,346)
Net other financing sources (uses)	<u>\$ (18,482)</u>	<u>\$ (46,056)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT NKADD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019 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 '19 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 \$247,093 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 – SUBSEQUENT EVENTS**

The NKADD has evaluated subsequent events through January 9, 2020, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the NKADD as of that date.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		\$
<b>Fund balance July 1, 2018</b>	\$ 2,769,909	\$ 2,769,909	\$ 2,769,909	\$ -
<b>RESOURCES (inflows):</b>				
Federal and state revenues	5,035,203	3,847,700	5,103,776	1,256,076
Local contract revenue	1,008,866	1,045,912	846,240	(199,672)
Local contribution revenue	160,000	160,000	168,119	8,119
Annual meeting	6,500	2,470	2,470	-
Miscellaneous revenue	5,000	265	262	(3)
Pass-through revenue	12,000,000	12,696,241	11,541,809	(1,154,432)
<b>Total resources</b>	<b>18,215,569</b>	<b>17,752,588</b>	<b>17,662,676</b>	<b>(89,912)</b>
Amounts available for use	20,985,478	20,522,497	20,432,585	(89,912)
<b>EXPENDITURES (outflows):</b>				
Direct salaries	3,302,258	3,147,449	3,117,543	29,906
Direct employee benefits	1,495,906	1,392,641	1,413,752	(21,111)
Direct travel	121,371	100,321	103,315	(2,994)
Direct contracts	113,978	337,799	336,213	1,586
Uncollectible government funds	-	-	121,057	(121,057)
Direct other	339,611	258,857	468,960	(210,103)
Direct local non-grant expenses	52,000	11,500	117,875	(106,375)
Shared expenses	644,772	713,600	723,291	(9,691)
Pass-through expenditures	12,000,000	12,696,241	11,541,809	1,154,432
<b>Total expenditures before other sources</b>	<b>18,069,896</b>	<b>18,658,408</b>	<b>17,943,815</b>	<b>714,593</b>
<b>Net other financing (sources) uses</b>	<b>110,000</b>	<b>110,000</b>	<b>18,482</b>	<b>91,518</b>
<b>Net expenditures</b>	<b>18,179,896</b>	<b>18,768,408</b>	<b>17,962,297</b>	<b>806,111</b>
<b>Budgetary fund balance June 30, 2019</b>	<b>\$ 2,805,582</b>	<b>\$ 1,754,089</b>	<b>\$ 2,470,288</b>	<b>\$ 716,199</b>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2019**

**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*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
NKADD's proportion of the net pension liability (asset)	0.124776%	0.126917%	0.132907%	0.136770%	0.137418%					
NKADD's proportionate share of the net pension liability (asset)	\$ 7,599,239	\$ 7,428,842	\$ 6,543,826	\$ 5,880,445	\$ 4,458,372					
NKADD's covered-employee payroll	\$ 3,130,822	\$ 3,103,141	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009					
NKADD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	242.72%	239.40%	204.62%	183.23%	141.31%					
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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.

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF NKADD PENSION CONTRIBUTIONS**

**County Employees Retirement System**

	Last 10 Fiscal Years									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 508,135	\$ 453,343	\$ 432,888	\$ 397,061	\$ 408,787	\$ 433,168				
Contributions in relation to the contractually required contribution	\$ (508,135)	\$ (453,343)	\$ (432,888)	\$ (397,061)	\$ (408,787)	\$ (433,168)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
NKADD's covered-employee payroll	\$ 3,132,771	\$ 3,130,822	\$ 3,103,141	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009				
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	13.95%	12.40%	12.74%	13.73%				

The accompanying notes are an integral part of this statement.

# NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

*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 following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50%

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF THE NKADD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**County Employees Retirement System**

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
NKADD's proportion of the net OPEB liability (asset)	0.124771%	0.126917%								
NKADD's proportionate share of the net OPEB liability (asset)	\$ 2,215,284	\$ 2,551,466								
NKADD's covered-employee payroll	\$ 3,130,822	\$ 3,103,141								
NKADD's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	70.76%	82.22%								
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%								

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

The accompanying notes are an integral part of this statement.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
SCHEDULE OF NKADD OPEB FUND CONTRIBUTIONS

County Employees Retirement System

	Last 10 Fiscal Years									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 164,784	\$ 147,149	\$ 146,779							
Contributions in relation to the contractually required contribution	\$ (164,784)	\$ (147,149)	\$ (146,779)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
NKADD's covered-employee payroll	\$ 3,132,771	\$ 3,130,822	\$ 3,103,141							
Contributions as a percentage of covered-employee payroll	5.26%	4.70%	4.73%							

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION  
June 30, 2019**

*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 rates 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 rates 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 following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	Pre - 65 Initial trend starting at 7.50% 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% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

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**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY GRANT  
GENERAL AND SPECIAL REVENUE FUND TYPES  
YEAR ENDED JUNE 30, 2019**

	Cabinet for Health and Family Services	Workforce Innovation & Opportunity Act	Commodities	Loan Program
<b>REVENUES:</b>				
Federal	\$ 2,064,751	\$ 2,628,625	\$ 164,569	\$ (4,489)
State	9,803,889	193,265	-	-
Federal commodities	-	-	1,323,370	-
Local funds applied	14,794	107	927	6,290
Match - cash	172,192	-	-	-
Match - In kind	199,401	-	-	-
Program income	82,522	-	-	-
Interest income	65	-	2	14,962
Local revenue	28,767	5,337	-	519
<b>Total revenues</b>	<u>12,366,381</u>	<u>2,827,334</u>	<u>1,488,868</u>	<u>17,282</u>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	1,605,186	507,560	65,895	9,540
Employee benefits	741,630	221,433	29,097	4,687
Travel	58,748	8,191	2,965	9
Contracts	-	14,940	48,151	625
Uncollectible government funds	39,384	-	-	-
Other	189,457	48,602	3,600	119
<b>Total direct expenses</b>	<u>2,634,405</u>	<u>800,726</u>	<u>149,708</u>	<u>14,980</u>
<b>Shared expenses applied</b>	<u>375,762</u>	<u>115,681</u>	<u>15,790</u>	<u>2,302</u>
<b>Sub-total expenditures</b>	3,010,167	916,407	165,498	17,282
<b>Sub-recipients/sub-grantees</b>	<u>9,515,502</u>	<u>1,910,927</u>	<u>1,323,370</u>	<u>-</u>
<b>Total expenditures</b>	<u>12,525,669</u>	<u>2,827,334</u>	<u>1,488,868</u>	<u>17,282</u>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<u>(159,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess revenues (expenditures)</b>	<u>\$ (159,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

<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>
\$ 89,344	\$ 881,844	\$ -	\$ -	\$ -	\$ 5,824,644
119,477	-	158,080	-	-	10,274,711
-	-	-	-	-	1,323,370
-	32,427	42,631	(97,176)	-	-
-	-	-	-	-	172,192
-	-	-	-	-	199,401
-	-	-	-	-	82,522
-	-	-	195	-	15,224
-	179,755	-	1,344,711	-	1,559,089
<u>208,821</u>	<u>1,094,026</u>	<u>200,711</u>	<u>1,247,730</u>	<u>-</u>	<u>19,451,153</u>
123,430	498,932	108,928	207,612	75,738	3,202,821
53,336	229,780	47,852	90,624	18,728	1,437,167
2,384	12,840	4,109	14,078	7,821	111,145
-	72,971	-	200,151	115,725	452,563
-	-	-	81,673	-	121,057
<u>2,916</u>	<u>129,262</u>	<u>16,365</u>	<u>196,633</u>	<u>507,581</u>	<u>1,094,535</u>
182,066	943,785	177,254	790,771	725,593	6,419,288
<u>26,755</u>	<u>122,487</u>	<u>23,457</u>	<u>43,359</u>	<u>(725,593)</u>	<u>-</u>
208,821	1,066,272	200,711	834,130	-	6,419,288
-	27,754	-	541,741	-	13,319,294
<u>208,821</u>	<u>1,094,026</u>	<u>200,711</u>	<u>1,375,871</u>	<u>-</u>	<u>19,738,582</u>
-	-	-	(128,141)	-	(287,429)
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,141)</u>	<u>\$ -</u>	<u>\$ (287,429)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
TOTAL BY PROGRAM  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

REFERENCE	Title III		Title VII	
	Pages 44-48		Pages 50-51	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 1,312,662	\$ 1,258,268	\$ 29,809	\$ 28,064
State	420,919	420,919	-	-
Local funds applied	20,339	14,769	-	-
Match - cash	147,916	140,992	-	-
Match - In kind	170,915	168,172	2,844	2,844
Program income	3,323	3,323	-	-
Interest income	19	19	-	-
Local revenue	920	920	-	-
<b>Total revenues</b>	<b>2,077,013</b>	<b>2,007,382</b>	<b>32,653</b>	<b>30,908</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	336,387	319,608	8,918	9,004
Employee benefits	159,877	150,684	4,163	4,033
Travel	9,272	9,721	249	240
Contracts	2,480	-	-	-
Uncollectible government funds	-	-	-	-
Other	48,560	50,167	17,127	15,557
<b>Total direct expenses</b>	<b>556,576</b>	<b>530,180</b>	<b>30,457</b>	<b>28,834</b>
<b>Shared expenses applied</b>	<b>79,919</b>	<b>74,697</b>	<b>2,196</b>	<b>2,074</b>
<b>Sub-total expenditures</b>	<b>636,495</b>	<b>604,877</b>	<b>32,653</b>	<b>30,908</b>
<b>Sub-recipients/sub-grantees</b>	<b>1,440,518</b>	<b>1,402,505</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>2,077,013</b>	<b>2,007,382</b>	<b>32,653</b>	<b>30,908</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

NSIP 320-319		Homecare Pages 52-53		Personal Care Attendant Pages 54-55	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 148,737	\$ 72,206	\$ -	\$ -	\$ -	\$ -
-	-	1,266,286	1,265,332	520,067	520,067
-	-	-	-	-	-
-	-	31,200	31,200	-	-
-	-	28,385	28,385	-	-
-	-	9,144	9,144	-	-
-	-	23	23	-	-
-	-	27,847	27,847	-	-
<u>148,737</u>	<u>72,206</u>	<u>1,362,885</u>	<u>1,361,931</u>	<u>520,067</u>	<u>520,067</u>
-	-	350,173	348,680	4,758	4,758
-	-	159,394	159,913	2,020	2,020
-	-	5,464	7,162	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	12,187	11,284	-	-
-	-	527,218	527,039	6,778	6,778
-	-	81,979	81,204	1,077	1,077
-	-	609,197	608,243	7,855	7,855
<u>148,737</u>	<u>72,206</u>	<u>753,688</u>	<u>753,688</u>	<u>512,212</u>	<u>512,212</u>
<u>148,737</u>	<u>72,206</u>	<u>1,362,885</u>	<u>1,361,931</u>	<u>520,067</u>	<u>520,067</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, 2018 TO JUNE 30, 2019**

REFERENCE	SHIP		LTC Ombudsman	
	Pages 56-57		321-323	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 46,753	\$ 46,753	\$ -	\$ -
State	-	-	62,527	62,411
Local funds applied	11	11	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<u>46,764</u>	<u>46,764</u>	<u>62,527</u>	<u>62,411</u>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	1,014	1,014	33,158	31,642
Employee benefits	448	448	15,331	15,603
Travel	371	371	5,064	6,122
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	8,000	8,000	1,336	1,024
<b>Total direct expenses</b>	<u>9,833</u>	<u>9,833</u>	<u>54,889</u>	<u>54,391</u>
<b>Shared expenses applied</b>	<u>241</u>	<u>241</u>	<u>7,638</u>	<u>8,020</u>
<b>Sub-total expenditures</b>	<u>10,074</u>	<u>10,074</u>	<u>62,527</u>	<u>62,411</u>
<b>Sub-recipients/sub-grantees</b>	<u>36,690</u>	<u>36,690</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>46,764</u>	<u>46,764</u>	<u>62,527</u>	<u>62,411</u>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess revenues (expenditures)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Functional Assessment 317-557		CDO Pages 58-59		Testing Experience and Functional Tools 326-334	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 1,000	\$ 1,000	\$ 568,813	\$ 619,713	\$ -	\$ -
-	-	7,125,330	7,533,501	13,975	1,659
14	14	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	81,384	70,055	-	-
-	-	66	23	-	-
-	-	334,858	-	-	-
<u>1,014</u>	<u>1,014</u>	<u>8,110,451</u>	<u>8,223,292</u>	<u>13,975</u>	<u>1,659</u>
564	564	892,092	888,819	1,097	1,097
289	289	371,538	408,328	312	312
25	25	35,637	35,107	-	-
-	-	-	-	-	-
-	-	-	39,384	-	-
-	-	95,368	103,379	12,362	46
<u>878</u>	<u>878</u>	<u>1,394,635</u>	<u>1,475,017</u>	<u>13,771</u>	<u>1,455</u>
<u>136</u>	<u>136</u>	<u>203,145</u>	<u>208,109</u>	<u>204</u>	<u>204</u>
1,014	1,014	1,597,780	1,683,126	13,975	1,659
-	-	6,300,704	6,699,454	-	-
<u>1,014</u>	<u>1,014</u>	<u>7,898,484</u>	<u>8,382,580</u>	<u>13,975</u>	<u>1,659</u>
-	-	211,967	(159,288)	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,967</u>	<u>\$ (159,288)</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, 2018 TO JUNE 30, 2019**

REFERENCE	MIPPA 2		MIPPA 3	
	326-312		326-313	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 38,485	\$ 28,863	\$ 39,539	\$ 9,884
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<b>38,485</b>	<b>28,863</b>	<b>39,539</b>	<b>9,884</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	-	-	-	-
Employee benefits	-	-	-	-
Travel	-	-	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	-	-	-	-
<b>Total direct expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shared expenses applied</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-recipients/sub-grantees</b>	<b>38,485</b>	<b>28,863</b>	<b>39,539</b>	<b>9,884</b>
<b>Total expenditures</b>	<b>38,485</b>	<b>28,863</b>	<b>39,539</b>	<b>9,884</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

Cabinet for Health and Family

Services

Totals

Budget		Actual	
\$	2,185,798	\$	2,064,751
	9,409,104		9,803,889
	20,364		14,794
	179,116		172,192
	202,144		199,401
	93,851		82,522
	108		65
	363,625		28,767
	<u>12,454,110</u>		<u>12,366,381</u>
	1,628,161		1,605,186
	713,372		741,630
	56,082		58,748
	2,480		-
	-		39,384
	194,940		189,457
	<u>2,595,035</u>		<u>2,634,405</u>
	376,535		375,762
	2,971,570		3,010,167
	<u>9,270,573</u>		<u>9,515,502</u>
	<u>12,242,143</u>		<u>12,525,669</u>
	<u>211,967</u>		<u>(159,288)</u>
	<u>-</u>		<u>-</u>
\$	<u>211,967</u>	\$	<u>(159,288)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
TITLE III  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

Work Element	Administration		Supportive Services	
	320-300		320-301	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 65,211	\$ 65,211	\$ 367,343	\$ 367,343
State	52,326	52,326	339,546	339,546
Local funds applied	4,485	4,485	-	-
Match - cash	-	-	51,777	47,525
Match - In kind	-	-	148,071	147,749
Program income	-	-	100	100
Interest income	-	-	19	19
Local revenue	-	-	-	-
<b>Total revenues</b>	<b>122,022</b>	<b>122,022</b>	<b>906,856</b>	<b>902,282</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	64,328	64,218	142,181	142,181
Employee benefits	27,310	27,667	70,980	70,980
Travel	2,773	3,405	3,310	3,370
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	12,790	12,195	16,431	17,179
<b>Total direct expenses</b>	<b>107,201</b>	<b>107,485</b>	<b>232,902</b>	<b>233,710</b>
<b>Shared expenses applied</b>	<b>14,821</b>	<b>14,537</b>	<b>34,656</b>	<b>34,284</b>
<b>Sub-total expenditures</b>	<b>122,022</b>	<b>122,022</b>	<b>267,558</b>	<b>267,994</b>
<b>Sub-recipients/sub-grantees</b>	<b>-</b>	<b>-</b>	<b>639,298</b>	<b>634,288</b>
<b>Total expenditures</b>	<b>122,022</b>	<b>122,022</b>	<b>906,856</b>	<b>902,282</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

Congregate Meals		Home Delivered Meals		Preventive Health	
320-302		320-303		320-304	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 257,028	\$ 246,136	\$ 289,898	\$ 284,835	\$ 25,811	\$ 24,896
6,100	6,100	-	-	-	-
-	4	-	-	-	-
39,258	37,333	51,200	52,806	-	-
-	-	-	-	-	-
3,223	3,223	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>305,609</u>	<u>292,796</u>	<u>341,098</u>	<u>337,641</u>	<u>25,811</u>	<u>24,896</u>
7,211	6,545	-	-	2,127	2,127
552	501	-	-	1,882	1,024
-	23	-	-	177	131
2,480	-	-	-	-	-
-	-	-	-	-	-
633	2,329	-	-	1,532	1,531
<u>10,876</u>	<u>9,398</u>	<u>-</u>	<u>-</u>	<u>5,718</u>	<u>4,813</u>
<u>1,240</u>	<u>1,126</u>	<u>-</u>	<u>-</u>	<u>510</u>	<u>500</u>
12,116	10,524	-	-	6,228	5,313
<u>293,493</u>	<u>282,272</u>	<u>341,098</u>	<u>337,641</u>	<u>19,583</u>	<u>19,583</u>
<u>305,609</u>	<u>292,796</u>	<u>341,098</u>	<u>337,641</u>	<u>25,811</u>	<u>24,896</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, 2018 TO JUNE 30, 2019**

Work Element	Caregiver Administration		Caregiver Support	
	320-308		320-309	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 16,180	\$ 15,691	\$ 188,033	\$ 157,476
State	-	-	22,947	22,947
Local funds applied	5,394	5,231	10,285	4,874
Match - cash	-	-	5,681	3,328
Match - In kind	-	-	22,844	20,423
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	920	920
<b>Total revenues</b>	<u>21,574</u>	<u>20,922</u>	<u>250,710</u>	<u>209,968</u>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	13,335	12,755	50,366	38,735
Employee benefits	5,339	5,297	25,431	18,771
Travel	-	-	1,525	1,305
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	-	-	13,366	13,179
<b>Total direct expenses</b>	<u>18,674</u>	<u>18,052</u>	<u>90,688</u>	<u>71,990</u>
<b>Shared expenses applied</b>	<u>2,900</u>	<u>2,870</u>	<u>12,976</u>	<u>9,257</u>
<b>Sub-total expenditures</b>	<u>21,574</u>	<u>20,922</u>	<u>103,664</u>	<u>81,247</u>
<b>Sub-recipients/sub-grantees</b>	<u>-</u>	<u>-</u>	<u>147,046</u>	<u>128,721</u>
<b>Total expenditures</b>	<u>21,574</u>	<u>20,922</u>	<u>250,710</u>	<u>209,968</u>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers to (from):</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess revenues (expenditures)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Congregate Meals Admin. 320-316		Home Delivered Meals Admin. 320-317		Ombudsman 320-326	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 17,581	\$ 17,581	\$ 17,712	\$ 17,712	\$ 67,865	\$ 61,387
-	-	-	-	-	-
-	-	175	175	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,581	17,581	17,887	17,887	67,865	61,387
10,145	10,145	10,452	10,452	36,242	32,450
4,855	4,855	5,001	5,001	18,527	16,588
247	247	31	31	1,209	1,209
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,808	3,754
15,247	15,247	15,484	15,484	59,786	54,001
2,334	2,334	2,403	2,403	8,079	7,386
17,581	17,581	17,887	17,887	67,865	61,387
-	-	-	-	-	-
17,581	17,581	17,887	17,887	67,865	61,387
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
TITLE III  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

<b>Work Element</b>	Title III	
	Totals	
	Budget	Actual
<b>REVENUES:</b>		
Federal	\$ 1,312,662	\$ 1,258,268
State	420,919	420,919
Local funds applied	20,339	14,769
Match - cash	147,916	140,992
Match - In kind	170,915	168,172
Program income	3,323	3,323
Interest income	19	19
Local revenue	920	920
	<b>2,077,013</b>	<b>2,007,382</b>
<b>EXPENDITURES:</b>		
<b>Direct Expenses:</b>		
Salaries	336,387	319,608
Employee benefits	159,877	150,684
Travel	9,272	9,721
Contracts	2,480	-
Uncollectible government funds	-	-
Other	48,560	50,167
	<b>556,576</b>	<b>530,180</b>
<b>Shared expenses applied</b>	<b>79,919</b>	<b>74,697</b>
	<b>636,495</b>	<b>604,877</b>
<b>Sub-total expenditures</b>	<b>636,495</b>	<b>604,877</b>
<b>Sub-recipients/sub-grantees</b>	<b>1,440,518</b>	<b>1,402,505</b>
	<b>2,077,013</b>	<b>2,007,382</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from):</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

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**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
TITLE VII  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

Work Element	Elder Abuse		Ombudsman	
	320-305		320-306	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 5,189	\$ 5,145	\$ 9,620	\$ 9,488
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	923	923	1,921	1,921
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<b>6,112</b>	<b>6,068</b>	<b>11,541</b>	<b>11,409</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	2,878	2,940	5,740	5,704
Employee benefits	1,568	1,507	2,387	2,368
Travel	-	-	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	971	971	2,007	2,007
<b>Total direct expenses</b>	<b>5,417</b>	<b>5,418</b>	<b>10,134</b>	<b>10,079</b>
<b>Shared expenses applied</b>	<b>695</b>	<b>650</b>	<b>1,407</b>	<b>1,330</b>
<b>Sub-total expenditures</b>	<b>6,112</b>	<b>6,068</b>	<b>11,541</b>	<b>11,409</b>
<b>Sub-recipients/sub-grantees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>6,112</b>	<b>6,068</b>	<b>11,541</b>	<b>11,409</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

Ombudsman - Education		Title VII	
320-307		Totals	
Budget	Actual	Budget	Actual
\$ 15,000	\$ 13,431	\$ 29,809	\$ 28,064
-	-	-	-
-	-	-	-
-	-	-	-
-	-	2,844	2,844
-	-	-	-
-	-	-	-
-	-	-	-
15,000	13,431	32,653	30,908
300	360	8,918	9,004
208	158	4,163	4,033
249	240	249	240
-	-	-	-
-	-	-	-
14,149	12,579	17,127	15,557
14,906	13,337	30,457	28,834
94	94	2,196	2,074
15,000	13,431	32,653	30,908
-	-	-	-
15,000	13,431	32,653	30,908
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
HOMECARE  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

Work Element	Administration		Home Delivered Meals	
	321-320		321-321	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ -	\$ -	\$ -	\$ -
State	166,131	166,131	59,506	59,506
Local funds applied	-	-	-	-
Match - cash	-	-	4,479	4,479
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<u>166,131</u>	<u>166,131</u>	<u>63,985</u>	<u>63,985</u>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	99,355	98,627	-	-
Employee benefits	41,073	40,925	-	-
Travel	807	2,407	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	2,373	1,520	-	-
<b>Total direct expenses</b>	<u>143,608</u>	<u>143,479</u>	<u>-</u>	<u>-</u>
<b>Shared expenses applied</b>	<u>22,523</u>	<u>22,652</u>	<u>-</u>	<u>-</u>
<b>Sub-total expenditures</b>	<u>166,131</u>	<u>166,131</u>	<u>-</u>	<u>-</u>
<b>Sub-recipients/sub-grantees</b>	<u>-</u>	<u>-</u>	<u>63,985</u>	<u>63,985</u>
<b>Total expenditures</b>	<u>166,131</u>	<u>166,131</u>	<u>63,985</u>	<u>63,985</u>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess revenues (expenditures)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Social Services 321-322		Homecare Totals	
Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -
1,040,649	1,039,695	1,266,286	1,265,332
-	-	-	-
26,721	26,721	31,200	31,200
28,385	28,385	28,385	28,385
9,144	9,144	9,144	9,144
23	23	23	23
27,847	27,847	27,847	27,847
<u>1,132,769</u>	<u>1,131,815</u>	<u>1,362,885</u>	<u>1,361,931</u>
250,818	250,053	350,173	348,680
118,321	118,988	159,394	159,913
4,657	4,755	5,464	7,162
-	-	-	-
-	-	-	-
9,814	9,764	12,187	11,284
<u>383,610</u>	<u>383,560</u>	<u>527,218</u>	<u>527,039</u>
<u>59,456</u>	<u>58,552</u>	<u>81,979</u>	<u>81,204</u>
443,066	442,112	609,197	608,243
<u>689,703</u>	<u>689,703</u>	<u>753,688</u>	<u>753,688</u>
<u>1,132,769</u>	<u>1,131,815</u>	<u>1,362,885</u>	<u>1,361,931</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, 2018 TO JUNE 30, 2019**

Work Element	Administration		Evaluation and Coordination	
	324-340		324-341	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ -	\$ -	\$ -	\$ -
State	7,855	7,855	512,212	512,212
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<b>7,855</b>	<b>7,855</b>	<b>512,212</b>	<b>512,212</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	4,758	4,758	-	-
Employee benefits	2,020	2,020	-	-
Travel	-	-	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	-	-	-	-
<b>Total direct expenses</b>	<b>6,778</b>	<b>6,778</b>	<b>-</b>	<b>-</b>
<b>Shared expenses applied</b>	<b>1,077</b>	<b>1,077</b>	<b>-</b>	<b>-</b>
<b>Sub-total expenditures</b>	<b>7,855</b>	<b>7,855</b>	<b>-</b>	<b>-</b>
<b>Sub-recipients/sub-grantees</b>	<b>-</b>	<b>-</b>	<b>512,212</b>	<b>512,212</b>
<b>Total expenditures</b>	<b>7,855</b>	<b>7,855</b>	<b>512,212</b>	<b>512,212</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

Personal Care Attendant	
Totals	
Budget	Actual
\$ -	\$ -
520,067	520,067
-	-
-	-
-	-
-	-
-	-
520,067	520,067
4,758	4,758
2,020	2,020
-	-
-	-
-	-
-	-
6,778	6,778
1,077	1,077
7,855	7,855
512,212	512,212
520,067	520,067
-	-
-	-
\$ -	\$ -

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
CABINET FOR HEALTH AND FAMILY SERVICES  
SHIP  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

Work Element	Administration		Regular	
	326-310		326-311	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 7,563	\$ 7,563	\$ 39,190	\$ 39,190
State	-	-	-	-
Local funds applied	11	11	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<u>7,574</u>	<u>7,574</u>	<u>39,190</u>	<u>39,190</u>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	1,014	1,014	-	-
Employee benefits	448	448	-	-
Travel	371	371	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	5,500	5,500	2,500	2,500
<b>Total direct expenses</b>	<u>7,333</u>	<u>7,333</u>	<u>2,500</u>	<u>2,500</u>
<b>Shared expenses applied</b>	<u>241</u>	<u>241</u>	<u>-</u>	<u>-</u>
<b>Sub-total expenditures</b>	<u>7,574</u>	<u>7,574</u>	<u>2,500</u>	<u>2,500</u>
<b>Sub-recipients/sub-grantees</b>	<u>-</u>	<u>-</u>	<u>36,690</u>	<u>36,690</u>
<b>Total expenditures</b>	<u>7,574</u>	<u>7,574</u>	<u>39,190</u>	<u>39,190</u>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfers to (from)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess revenues (expenditures)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SHIP	
Totals	
Budget	Actual
\$ 46,753	\$ 46,753
-	-
11	11
-	-
-	-
-	-
-	-
-	-
<u>46,764</u>	<u>46,764</u>
1,014	1,014
448	448
371	371
-	-
-	-
<u>8,000</u>	<u>8,000</u>
9,833	9,833
241	241
<u>10,074</u>	<u>10,074</u>
<u>36,690</u>	<u>36,690</u>
<u>46,764</u>	<u>46,764</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  
CDO  
PERIOD PERFORMANCE: JULY 1, 2018 TO JUNE 30, 2019**

Work Element	CDO Financial Management		PDS Services CDO	
	134-552		234-552	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Federal	\$ 568,813	\$ 619,713	\$ -	\$ -
State	-	-	535,788	580,530
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
<b>Total revenues</b>	<b>568,813</b>	<b>619,713</b>	<b>535,788</b>	<b>580,530</b>
<b>EXPENDITURES:</b>				
<b>Direct Expenses:</b>				
Salaries	183,457	183,457	-	-
Employee benefits	76,731	76,731	-	-
Travel	25	25	-	-
Contracts	-	-	-	-
Uncollectible government funds	-	-	-	-
Other	55,163	55,357	-	-
<b>Total direct expenses</b>	<b>315,376</b>	<b>315,570</b>	<b>-</b>	<b>-</b>
<b>Shared expenses applied</b>	<b>41,470</b>	<b>41,066</b>	<b>-</b>	<b>-</b>
<b>Sub-total expenditures</b>	<b>356,846</b>	<b>356,636</b>	<b>-</b>	<b>-</b>
<b>Sub-recipients/sub-grantees</b>	<b>-</b>	<b>-</b>	<b>535,788</b>	<b>580,530</b>
<b>Total expenditures</b>	<b>356,846</b>	<b>356,636</b>	<b>535,788</b>	<b>580,530</b>
<b>Excess revenues (expenditures) before transfers to (from)</b>	<b>211,967</b>	<b>263,077</b>	<b>-</b>	<b>-</b>
<b>Transfers to (from)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess revenues (expenditures)</b>	<b>\$ 211,967</b>	<b>\$ 263,077</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

CDO Program 334-552		CDO Totals	
Budget	Actual	Budget	Actual
\$ -	\$ -	\$ 568,813	\$ 619,713
6,589,542	6,952,971	7,125,330	7,533,501
-	-	-	-
-	-	-	-
-	-	-	-
81,384	70,055	81,384	70,055
66	23	66	23
334,858	-	334,858	-
<u>7,005,850</u>	<u>7,023,049</u>	<u>8,110,451</u>	<u>8,223,292</u>
708,635	705,362	892,092	888,819
294,807	331,597	371,538	408,328
35,612	35,082	35,637	35,107
-	-	-	-
-	39,384	-	39,384
40,205	48,022	95,368	103,379
<u>1,079,259</u>	<u>1,159,447</u>	<u>1,394,635</u>	<u>1,475,017</u>
<u>161,675</u>	<u>167,043</u>	<u>203,145</u>	<u>208,109</u>
1,240,934	1,326,490	1,597,780	1,683,126
<u>5,764,916</u>	<u>6,118,924</u>	<u>6,300,704</u>	<u>6,699,454</u>
<u>7,005,850</u>	<u>7,445,414</u>	<u>7,898,484</u>	<u>8,382,580</u>
-	(422,365)	211,967	(159,288)
-	-	-	-
<u>\$ -</u>	<u>\$ (422,365)</u>	<u>\$ 211,967</u>	<u>\$ (159,288)</u>

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

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

**Explanatory Notes:**

- (1) Shared costs are distributed on the basis of total direct salaries and employee benefits. The total shared expenses allocated is approximately 16% of total direct salaries and employee benefits.

**The accompanying notes are an integral part of this statement.**

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**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.

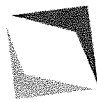
**NOTE 2 – SUB-GRANTEE MATCH INFORMATION**

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, Northern Kentucky Community Action Commission, Bill and Betsy Scheben Care Center, 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**

- 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

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**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**

To the Directors of  
Northern Kentucky Area Development District  
Florence, KY

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Kentucky Area Development District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Northern Kentucky Area Development District's basic financial statements, and have issued our report thereon dated January 9, 2020.

**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 opinions 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 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 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*.

**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.*

January 9, 2020  
Crestview Hills, KY



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

To the Directors of  
Northern Kentucky Area Development District  
Florence, KY

**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, 2019. 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, 2019.

### 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 identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as 2019-01, that we consider to be a significant deficiency.

Northern Kentucky Area Development District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Kentucky Area Development District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



January 9, 2020  
Crestview Hills, KY

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**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number
<b>U. S. Department of Agriculture</b>		
<b>The Emergency Food Assistance Cluster:</b>		
Passed through Kentucky Department of Agriculture		
CASH:		
Commodity Supplemental Food Program	10.565	PON2-035 1900000064 1
The Emergency Food Assistance Program (Administration)	10.568	PON2-035 1900000049 1
Trade Mitigation Program Foods (Administration)	10.178	PON2-035 1900003662 1
NONCASH:		
Commodity Supplemental Food Program (Food Commodities)	10.565	PON2-035 1900000064 1
The Emergency Food Assistance Program (Food Commodities)	10.569	PON2-035 1900000049 1
Trade Mitigation Program Foods (Food Commodities)	10.178	PON2-035 1900003662 1
<b>Sub-total for the Emergency Food Assistance Cluster</b>		
<b>U. S. Department of Commerce</b>		
Passed through Governors Office of Local Development:		
Economic Development Administration Partnership Planning Grant	11.302	PON2-112 1900003305
Economic Adjustment Assistance:		
Revolving loan fund	11.307	04-19-59014
<b>Sub-total for U.S. Department of Commerce</b>		
<b>U. S. Department of Housing and Urban Development</b>		
Passed through Governors Office of Local Development:		
Community Development Block Grant	14.228	PON2-112 1900003305
Passed through Housing Authority of Covington		
Jobs Plus Initiative	14.895	KY002FJP000117
<b>Sub-total for U.S. Department of Housing and Urban Development</b>		
<b>U. S. Department of Labor</b>		
Passed through Kentucky Cabinet for Workforce Development		
<b>Workforce Innovation and Opportunity Act Cluster:</b>		
WIOA Adult Program	17.258	273AD19, 273LA19
WIOA Adult Program	17.258	270AD19, 270LA19
WIOA Adult Program	17.258	27318
WIOA Adult Program	17.258	27018
WIOA Youth Activities	17.259	274YT19
WIOA Youth Activities	17.259	274SR18
WIOA Youth Activities	17.259	27418
WIOA Dislocated Workers	17.278	27218
WIOA Dislocated Workers	17.278	27118
WIOA Dislocated Workers - Rapid Response (IRS)	17.278	271RR18
WIOA Dislocated Workers - Rapid Response Local Activities	17.278	271RR18
WIOA Dislocated Workers - Rapid Response Trade Case Mgmt	17.278	271CM18
WIOA Dislocated Workers	17.278	271DW19, 271LA19
WIOA Dislocated Workers	17.278	272DW19, 272LA19
WIOA Dislocated Workers	17.278	272RR17
WIOA Dislocated Workers	17.278	271SR17
<b>Sub-total for Workforce Innovation and Opportunity Act Cluster</b>		
Trade Adjustment Assistance	17.245	205BE17
Trade Adjustment Assistance	17.245	20516
<b>Sub-total for U.S. Department of Labor</b>		

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	\$ 68,930	\$ -
137,500	83,026	-
27,737	12,613	-
	284,026	284,026
	842,652	842,652
	196,692	196,692
	<u>1,487,939</u>	<u>1,323,370</u>
66,667	66,667	-
500,000	412,354	-
	<u>479,021</u>	<u>-</u>
22,677	22,677	-
62,821	5,582	-
	<u>28,259</u>	<u>-</u>
545,658	476,438	351,584
102,662	102,228	75,985
584,718	131,706	79,500
89,127	6,279	446
632,362	503,332	406,417
15,000	2,500	2,500
656,982	210,498	144,298
123,185	10,056	6,351
656,241	105,303	29,647
51,851	14,654	13,866
125,007	121,813	121,813
99,596	91,488	91,488
657,545	605,994	388,489
138,699	138,699	112,435
233,281	42,040	37,350
16,881	16,839	-
	<u>2,579,867</u>	<u>1,862,169</u>
76,800	36,161	36,161
240,693	12,597	12,597
	<u>2,628,625</u>	<u>1,910,927</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number
<b>U. S. Transportation Department</b>		
Passed through Kentucky Transportation Department		
Kentucky Transportation Planning	20.505	G04S704Z
Kentucky Transportation Delivery	20.513	C100618111
Sub-total for Kentucky Transportation Department		
Passed through Ohio Kentucky Indiana Regional Council of Government		
Mobility Manager Grant	20.513	FAIN OH-2017-005-03
Mobility Manager Grant	20.513	FAIN OH-2017-005-02-02
Sub-total for U.S. Transportation Department		
<b>U. S. Department of Health and Human Services</b>		
Passed through Kentucky Cabinet for Health and Family Services:		
<b>Aging Cluster:</b>		
Title III, Part B Support Services	93.044	PON2-725 1900001251
Title III, Part B Support Services (Administration)	93.044	PON2-725 1900001251
Title III, Part C Nutrition Services	93.045	PON2-725 1900001251
Title III, Part C Nutrition Services	93.045	PON2-725 1900001251
Nutrition Services Incentive Program, NSIP	93.053	PON2-725 1800000566
Nutrition Services Incentive Program, NSIP	93.053	PON2-725 1900000884
Sub-total for Aging Cluster		
Title VII, Elder Abuse Prevention	93.041	PON2-725 1900001218-3
Title VII, Ombudsman	93.042	PON2-725 1900001218-3
Title VII, Ombudsman Education	93.042	PON2-725 1900001218-3
Title III, Part D Preventive Health	93.043	PON2-725 1900001251
Title III, Part E Family Caregiver Support (Administration)	93.052	PON2-725 1900001251
Title III, Part E Family Caregiver Support	93.052	PON2-725 1900001251
Functional Assessment Service Terms	93.069	PON2-725 1900000533
MIPPA SHIP	93.071	PON2-725 18000000579
MIPPA SHIP	93.071	PON2-725 19000001159
MIPPA AAA	93.071	PON2-725 18000000579
MIPPA AAA	93.071	PON2-725 19000001159
MIPPA ADRC	93.071	PON2-725 18000000579
MIPPA ADRC	93.071	PON2-725 19000001159
Centers for Medicare & Medicaid Services, CMS - (SHIP)	93.324	PON2-725 1900001119
Temporary Assistance for Needy Families - KY Works	93.558	PON2-736 1800001664
Medicaid ADRC	93.778	PON2-725 1900000816
Sub-total for Kentucky Cabinet for Health and Family Services		
Passed through Northern Kentucky University		
Health Resources and Services Administration (HRSA)	93.211	G25RH32458-01-00
Sub-total for U.S. Department of Health and Human Services		
<b>U.S. Department of Homeland Security</b>		
Passed through Kentucky Division of Emergency Management:		
Pre-Disaster Mitigation Program	97.047	PDMC-PL-04-KY-2014-002
<b>Total Federal Expenditures</b>		
<b>Total Federal Expenditures - Cash</b>		
<b>Total Federal Expenditures - Non-cash</b>		

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

Program Award Amounts	Federal Expenditures	Sub-recipient
30,000	30,000	-
80,000	80,000	-
	110,000	-
103,240	7,868	-
80,000	50,158	-
	168,026	-
434,700	428,222	189,417
65,211	65,211	-
274,609	263,717	235,616
307,610	302,547	284,835
69,298	22,206	22,206
79,439	50,000	50,000
	1,131,903	782,074
5,189	5,145	-
9,620	9,488	-
15,000	13,431	-
25,811	24,896	19,583
16,180	15,691	-
188,033	157,476	104,898
1,000	1,000	-
23,323	5,827	5,827
22,585	16,938	16,938
11,653	2,914	2,914
10,327	7,749	7,749
4,563	1,143	1,143
5,573	4,176	4,176
46,753	46,753	44,690
938,694	691,894	-
14,004	508	-
	2,136,932	989,992
7,000	7,000	-
	2,143,932	989,992
73,168	9,342	-
	<b>\$ 6,945,144</b>	<b>\$ 4,224,289</b>
	<b>\$ 5,621,774</b>	<b>\$ 2,900,919</b>
	<b>\$ 1,323,370</b>	<b>\$ 1,323,370</b>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**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 Policies**

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 – Commodities Distribution**

Amounts reported represent the dollar values of commodities distributed during the year. Dollar values were determined using USDA prescribed wholesale values per unit. At June 30, 2019, the District had USDA food commodities totaling \$412,684 in inventory.

**Note 4 - Revolving Loan Fund Calculation**

Balance of loans outstanding	\$246,370
Plus: Cash and investment balance	145,486
Plus: Administrative expenses	10,992
Plus: Loans written off during the fiscal year	<u>9,506</u>
<b>Subtotal</b>	412,354
Multiplied by federal share of initial capitalization	<u>100%</u>
 <b>Total</b>	 <u>\$412,354</u>

**Note 5 – Reconciliation of Federal Revenues - Cash**

Statement of Revenues, Expenditures and Changes in Fund Balance (page 10)	
Federal Revenues	\$5,824,644
Less: CDO (Federal Medicaid)	(619,713)
Adjustment for Revolving Loan Fund	
Amount reported on page 10	4,489
Amount reported on page 69	<u>412,354</u>
 Federal Expenditures–Cash	
Schedule of Expenditures of Federal Awards (page 71)	<u>\$5,621,774</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**Note 6 – 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 71)	
Title III, Part B Support Services:	<u>\$ 428,222</u>
- Support Services	366,835
- Ombudsman (page 47)	61,387
 Total, Federal revenue reported on page 44	
Supportive Services:	<u>367,343</u>
- Title III Support Services (above)	366,835
- Medicaid ADRC (page 71)	508

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019**

**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  No

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?  X  Yes \_\_\_\_\_ 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
93.044/93.045/93.053 10.565/10.568/10.569	Aging Cluster Food Distribution Cluster

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

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

## NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

### Schedule of Findings and Questioned Costs Year Ended June 30, 2019

#### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

##### 2019-01 - Controls over expenditures

**Criteria:** The District is responsible for establishing and following controls that prevent, detect and correct errors in a timely manner.

**Condition and Context:** During the course of the audit, we identified errors in controls surrounding the payroll allocations that were not initially identified by the District's internal controls. The errors resulted in incorrect amounts being charged to grants.

**Effect:** Improper allocation of payroll to Aging cluster grants

**Cause:** Lack of review of payroll allocations.

**Recommendation:** Secondary review of payroll allocations for each pay period.

##### **Views of Responsible Officials and Planned Corrective Actions:**

Since this finding notes that timesheet questions are the basis, NKADD will further research and continue to work with the software developer to better understand from a system design standpoint how this anomaly may have occurred. Please note, the timesheets in question include a promotion and retroactive payment of raises that resulted in a different wage. Since this anomaly was found in the audit process, some supporting documentation has been made available so the correct period wage amount could be taken into consideration.

NKADD acknowledges that any inaccuracy in reporting, whether large or small, software or human error, needs to be acknowledged and addressed. As such, while the potential reporting error in question amounts to \$0.75, we will continue to work with our software vendor to determine if the inaccuracy was due to a software rounding error, or whether the assumptions used in the calculation of this particular payroll period were the resulting factor.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2019**

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No matters are reportable.