REPORT OF THE AUDIT OF THE NORTHERN KENTUCKY CONVENTION CENTER CORPORATION

For The Fiscal Year Ended
June 30, 2018

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation
1 W Rivercenter Blvd
Covington, KY 41011

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern Kentucky Convention Center Corporation (NKCC) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise NKCC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

NKCC's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NKCC'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

209 St. Clair Street
Frankfort, KY 40601-1817
Telephone 502.564.5841
Facsimile 502.564.2912
www.auditor.ky.gov

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation

NKCC'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NKCC, as of June 30, 2018 and the respective changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2018 NKCC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matter

Management's Discussion and Analysis

NKCC management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 37 and Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions on page 38 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of NKCC's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on NKCC'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 NKCC's internal control over financial reporting and compliance.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

November 28, 2018

FINANCIAL STATEMENTS

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
STATEMENT OF NET POSITION

June 30, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents (Note 3)	$ 2,091,962
Accounts Receivable	773,225
Prepaid Expenses	61,699
Total Current Assets	2,926,886
Noncurrent Assets:	
Investments	1,051,048
Restricted Cash (Note 2)	178,701
Accounts Receivable	590,290
Property and Equipment, Net (Note 4)	23,158,849
Total Noncurrent Assets	24,978,888
Total Assets	27,905,774
Deferred Outflows of Resources Related to Pensions (Note 7)	1,098,835
Deferred Outflows of Resources Related to OPEB (Note 8)	291,598
Liabilities	
Current Liabilities:	
Accounts Payable	356,586
Unearned Revenue (Note 5)	20,000
Note Payable (Note 6)	230,587
Event Deposits	1,040,654
Total Current Liabilities	1,647,827
Noncurrent Liabilities:	
Net Pension Liability (Note 7)	2,983,669
Net OPEB Liability (Note 8)	1,024,753
Total Noncurrent Liabilities	4,008,422
Total Liabilities	5,656,249
Deferred Inflows of Resources Related to Pensions (Note 7)	295,874
Deferred Inflows of Resources Related to OPEB (Note 8)	53,653
Net Position:	
Net Investment in Capital Assets	23,158,849
Restricted Cash (Note 2)	178,701
Unrestricted	(47,119)
Total Net Position	$23,290,431

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

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For The Year Ended June 30, 2018

Operating Revenues:	
Room Tax Revenue	$ 1,852,123
Rental Income	855,833
Concession Revenue	935,676
Other Income	317,411
Total Operating Revenues	3,961,043
Operating Expenses:	
Advertising and Promotion	231,983
Bank Charges	9,992
Depreciation	1,161,420
Dues and Subscriptions	6,668
Employee Benefits	838,519
Event Security	20,527
Insurance	42,737
Laundry and Uniforms	12,728
Miscellaneous	16,663
Office Expense	9,798
Parking	13,855
Payroll Taxes	95,945
Postage and Shipping	754
Professional Fees	98,745
Repairs and Maintenance	322,968
Salaries and Wages	1,269,964
Security	149,423
Supplies	55,094
Telephone	36,440
Training/Education/Seminars	7,359
Travel and Lodging	454
Utilities	273,570
Total Operating Expenses	4,675,606
Operating Loss	(714,563)
Nonoperating Revenues (Expenses):	
Interest Income	9,377
Interest Expense	(10,806)
Net Increase (Decrease) In Fair Value Of Investments	17,233
Total Nonoperating Revenues (Expenses)	15,804
Net Income (Loss) before Capital Contributions	(698,759)
Capital Contributions Revenue	1,865,947
Change in Net Position	1,167,188
Net Position, Beginning of Year (as restated)	22,123,243
Net Position, End of Year	$ 23,290,431

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

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Cash received from clients	$ 1,677,369
Cash received from room tax	1,852,123
Cash paid for goods and services	(1,356,426)
Cash paid for salaries and benefits	(1,801,602)
Cash received from other sources	317,411
Cash paid to other sources	(16,663)
Net Cash Provided (Used) by Operating Activities	672,212
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions Revenue	1,865,947
Acquisition and construction of capital assets	(2,153,908)
Principal paid on debt	(412,827)
Interest paid on debt	(10,806)
Net Cash Provided (Used) for Capital and Related Financing	(711,594)
Cash Flows from Investing Activities:	
Interest received on investments	9,377
Net Cash Provided (Used) in Investing Activities	9,377
Net Increase (Decrease) in Cash and Cash Equivalents	(30,005)
Cash and Cash Equivalents at July 1	2,300,668
Cash and Cash Equivalents at June 30	$ 2,270,663
Reconciliation of Operating Income to Net Cash Provided by Operating	
Operating income (loss)	$ (714,563)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,161,420
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
(Increase) decrease in assets and deferred outflows:	
Receivables	(229,149)
Prepaid Expenses	18,052
Deferred Outflows	(726,124)
Increase (decrease) in liabilities and deferred inflows:	
Accounts Payable and Accrued Expenditures	(81,384)
Unearned Revenue	(40,000)
Event Deposits	155,009
Net Pension Liability	840,826
Deferred Inflows	288,125
Net Cash Provided (Used) by Operating Activities	$ 672,212
Noncash Investing, Capital, and Financing Activities:	
Change in fair value of investments	$ 17,233
Total Noncash Investing, Capital, and Financing Activities	$ 17,233

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

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NOTES TO THE FINANCIAL STATEMENTS

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Northern Kentucky Convention Center Corporation (Convention Center) is presented to assist in understanding the Convention Center's financial statements. The financial statements and notes are the representation of the Convention Center's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization

The Convention Center was created through the enactment of House Bill No. 700 by the General Assembly of the Commonwealth of Kentucky (the Commonwealth), effective July 14, 1992, to develop and manage the Convention Center.

All revenues derived from the use of the Convention Center, or contributions to the Convention Center from other sources as authorized in KRS 154.90-015, shall be used solely to defray the expenses of the Convention Center, including payment on debt, the cost of management and operation of its facilities, the creation of an adequate reserve for repair, replacement, and capital improvements, the procurement of insurance, and promotional activities. Any additional revenues derived by the corporation from any other source shall similarly be used for the purposes mentioned above.

The counties of Boone, Campbell, and Kenton passed ordinances imposing an additional 1% room tax on hotels effective June 1, 1995 to help defray the cost of managing and operating the Convention Center.

Basis of Accounting

The activities of the Convention Center are accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. The Convention Center has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

As an enterprise fund, the Convention Center distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the rental of space within the facilities and providing services in connection with the Convention Center's ongoing operations. Operating expenses include the costs of operation and maintenance of the facilities, services, selling and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Convention Center recognized $1,865,947 in Capital Contributions Revenue related to the completion of the Learning Center. The Learning Center has been capitalized and will be depreciated over its useful life. The Convention Center allowed discounts related to event rentals which totaled $674,553 in fiscal year 2018.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation computed on the straight line method over the estimated useful lives of the assets, ranging from five to 50 years. The Convention Center's capitalization policy is to capitalize all expenditures of $1,000 or greater when the asset has a life in excess of one year.

Compensated Absences

The Convention Center awards sick and vacation leave time to employees annually, but the time must be used within one year of the award or it is removed. The Convention Center does not allow employees to accrue leave time of any form. Upon separation from employment, vacation leave time is paid, but sick leave time is not paid.

Note 2 – Restricted Cash - Noncurrent Asset

The Convention Center has agreements with two vendors where specified dollar amounts are set aside to promote the use of audio and visual equipment rented by the Convention Center's clientele, and for the advertising and promotion of the sale of food and beverages. The specified dollar amounts are also used for certain replacements and capital improvements. Upon termination of these agreements, any remaining balances will be paid over to the Convention Center. The amount of restricted cash as of June 30, 2018 was $178,701.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash and highly liquid investments having a maturity at the date of acquisition of three months. Custodial credit risk is the risk that in the event of a bank failure, the Convention Center’s deposits are not insured. As of June 30, 2018, the Convention Center had deposits with financial institutions of $2,091,962 which are partially covered by federal depository insurance.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In May 2013, the Convention Center invested $1,000,000 in four index-linked certificates of deposits (CDs), held at the Depository Trust Company. The principal for each of the index CDs is backed by the Federal Deposit Insurance Corporation (FDIC), within the applicable FDIC limits. The CDs mature on May 5, 2020. A portion of the investment is in a separate interest-bearing deposit account that is linked to the CD investment account. Funds in the deposit account are covered by FDIC insurance. As of June 30, 2018 the market value for the total investment was $1,051,048. These index-linked CDs are classified as Level 1 within the fair value hierarchy.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 3,190,584	$	$	$ 3,190,584
Construction in Progress	124,095		(124,095)	
Total Capital Assets, not being	3,314,679			3,190,584
Capital Assets, being depreciated				
Building	26,199,466			26,199,466
Equipment	1,017,062	269,301		1,286,363
Improvements	2,728,756	1,993,895		4,722,651
Furniture and Fixtures	1,427,745	14,807		1,442,552
Parking Lot	43,770			43,770
Project in Progress	19,899			19,899
Total Capital Assets, being depreciated	31,436,698	2,278,003		33,714,701
Less Accumulated Depreciation:				
Building	(9,606,471)	(523,989)		(10,130,460)
Equipment	(585,696)	(121,178)		(706,874)
Improvements	(1,512,273)	(326,651)		(1,838,924)
Furniture and Fixtures	(840,615)	(188,509)		(1,029,124)
Parking Lot	(20,061)	(1,094)		(21,155)
Project in Progress	(19,899)			(19,899)
Total Accumulated Depreciation	(12,585,015)	(1,161,421)		(13,746,436)
Total Capital Assets, being depreciated	18,851,683	1,116,582		19,968,266
Total Capital Assets	$ 22,166,362	$ 1,116,582	$ (124,095)	$ 23,158,849

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 5 – Unearned Revenue

Unearned revenue represents an agreed upon payment of a $200,000 contract extension from the concession operator for costs incurred by the Convention Center for the furnishing of various food service equipment, small wares, and other improvements. The terms of the agreements require that each of the payments be recognized over a five year period, whereby the Convention Center separately amortizes the amounts on a straight-line basis over a 60 month period. The payment commenced on January 1, 2014 and terminates December 31, 2018. The balance at June 30, 2018 is $20,000.

Note 6 – Notes Payable

In June 2013, the Convention Center signed a note with a local financial institution to finance the Convention Center's planned renovation during fiscal year 2014 and 2015. In June 2013, the Convention Center signed a resolution approving a sublease between the City of Covington, Kentucky, as sublessor, and the Convention Center, as sublessee, relating to the financing for the renovation of the Convention Center's Exhibit Hall, as well as other necessary improvements. Accordingly, the City of Covington entered into a lease agreement with Bank of Kentucky, who provided up to $2,000,000 for financing the Convention Center's renovation project. The note terms permitted the Convention Center to draw up to $2,000,000 for the renovation project, with interest only quarterly payments through the 12-month renovation period, at 2.18% per annum fixed rate. Upon project completion, the note terms require quarterly principal and interest payments for a five year period, at 2.18% per annum. The Convention Center's loan is collaterally secured by a pledge of revenues. During FY 2018, the Convention Center paid a total of $10,806 of interest payments for the note and $412,826 for principal.

As of June 30, 2018, the balance of the note payable totaled $230,587. Obligations related to this note are described in the following table:

Schedule of Obligations Relating To Outstanding Debt

Year Ending June 30	Principal	Interest	Total
2019	$ 230,587	$ 2,056	$ 232,643

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions

Plan Description

All full time employees of the Convention Center who work more than 100 hours per month participate in a multiple-employer cost sharing defined benefit pension plan, the County Employees Retirement System (CERS). The CERS Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems. The plan provides retirement, health, disability, and death benefits to plan participants. Cost-of-living adjustments are provided at the discretion of the State Legislature. Employees contribute 5% if the participants are in tier one and 6% for all other tiers of creditable compensation. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system. The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget. For fiscal year 2018 the required contribution rate for the Convention Center was 14.48%. As of June 30, 2018, CERS recognized contributions of $172,816 by NKCC during the reporting period.

At June 30, 2018 the Convention Center reported a liability of $2,983,669 for its proportionate share of the collective net pension liability. The total and net pension liability for CERS was actuarially measured as of June 30, 2016. As of June 30, 2018, the Convention Center’s proportionate share percentage was 0.050974%. This percentage is based on the long-term share of contributions by the Convention Center in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by Kentucky Retirement System. This report can be obtained at kyret.ky.gov.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Plan Description (Continued)

County Employees Retirement System
Governance KRS 78.510 through KRS 78.880
Non-Hazardous

	Tier 1 Participation Prior to 9/1/2008	**Tier 2** Participation 9/1/2008 through 12/31/2013	**Tier 3** Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation x Benefit Factor x Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.2% if the Participation Date was before 8/1/2004 or 2.0% if Participation Date was after 8/1/2004.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Actuarial Valuation

Employer Contribution	14.48%
Member Contribution	5% Tier 1 6% Tier 2 and 3
Actuarial Valuation Date	June 30, 2016 with roll-forward procedures to the measurement date of June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining amortization period	28 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Actuarial assumptions:	
Investment rate of return	6.3%
Inflation Rate	2.30%
Projected salary increases	11.55% and decreasing to 3.30%
Mortality Tables	For active embers, 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 benficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.
Date of Experience Study	July 1, 2008 - June 30, 2013

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Actuarial Valuation (Continued)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

County Employees Retirement System		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	2.00%	1.88%
Total	100.00%	

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Actuarial Valuation (Continued)

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 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2017 using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. A municipal bond rate was not used.

The following table presents the net pension liability of the Convention Center, calculated using the discount rate of 6.25%, as well as what the Convention Center's net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) :

1% Decrease 5.25%	Current 6.25%	1% Increase 7.25%
$ 3,763,048	$ 2,983,669	$ 2,331,719

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2018, the Convention Center recognized pension expense of $354,667 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,701	$ 75,738
Changes in assumptions	550,567	
Net difference between projected and actual earnings on investments	236,303	199,398
Change in proportionate share	135,448	20,738
Contributions subsequent to the measurement date	172,816	
Total	$ 1,098,835	$ 295,874

The following changes in assumptions occurred between the measurement date and the reporting date:

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- Payroll growth assumptions decreased from 4.00% to 2.00%
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $172,816 of the total deferred outflows of resources resulted from pension contributions made subsequent to the measurement date and will be recognized as a reduction of the new pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2018	$ 273,939
2019	271,484
2020	123,033
2021	(38,312)
2022	0

Membership

Number of Members Non-Hazardous CERS	
Active Plan Members	84,401
Retired & Beneficiaries Receiving Benefits	54,018
Inactive Plan Members	78,940
Total Members	217,359

Pension Plan Fiduciary Net Position

The Convention Center's fiduciary net position, net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense have been determined on the same basis used by CERS. CERS' combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 7 – Pensions (Continued)

Pension Plan Fiduciary Net Position (Continued)

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

Note 8 – Other Post-Employment Benefits

Plan Description

All full time employees of the Convention Center who work more than 100 hours per month participate in a multiple-employer cost sharing defined benefit Other Post-Employment Benefits (OPEB) plan through the County Employees Retirement System (CERS). The CERS Non-Hazardous OPEB Plan is administered by the Board of Trustees of the Kentucky Retirement Systems. The plan provides hospital and medical insurance benefits to plan participants. Employees hired on or after September 1, 2008 contribute 1% of creditable compensation. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system. For fiscal year 2018 the required contribution rate for the Convention Center was 4.70%. As of June 30, 2018, CERS recognized contributions of $56,094 by NKCC during the reporting period.

At June 30, 2018 the Convention Center reported a liability of $1,024,753 for its proportionate share of the collective net OPEB liability. The total and net OPEB liability for CERS was actuarially measured as of June 30, 2016. As of June 30, 2018, the Convention Center's proportionate share percentage was 0.050974%. This percentage is based on the long-term share of contributions by the Convention Center in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by Kentucky Retirement System. This report can be obtained at www.kyret.ky.gov.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Plan Description (Continued)

County Employees Retirement System
Governance KRS 78.510 through KRS 78.880
Non-Hazardous

Plan Administrator: The plan is administered by the Kentucky Employees Retirement System.

Covered Employees: Substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.

	Participation Prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
Benefit Factor:	< 48	0%	Greater than or equal to 120	$10 per month for each year of service without regard to a maximum dollar amount. Adjusted annually.	Greater than or equal to 180	$10 per month for each year of service without regard to a maximum dollar amount. Adjusted by 1.5% annually.
	48 to 119 inclusive	25%				
	120 to 179 inclusive	50%				
	180 to 239 inclusive	75%				
	240 or more	100%				
Contribution Rate:	Contribution rates for the employer are actuarially determined. No member contribution.		Contribution rates for the employer are actuarily determined. No member contribution		Contribution rates for the employers are actuarily determined. Member contribution is 1% of salary.	

Cost of Living Adjustment (COLA): Members participating after 2008 receive 1.5% increase annually.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation

Employer Contribution	4.70%
Member Contribution	Participation prior to 9/1/2008 make no contribution. Participation on or after 9/1/2008 contribute 1%.
Actuarial Valuation Date	June 30, 2016 with roll-forward procedures to the measurement date of June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Actuarial assumptions:	
Investment rate of return	6.25%
Inflation Rate	2.30%
Payroll Growth	2.00%
Projected salary increases	11.55% and decreasing to 3.30%
Mortality Tables	RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 5% and female mortality rates are multiplied by 30%.
Healthcare Trend Rates:	
Pre-65	Intitial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.
Date of Experience Study	July 1, 2008 - June 30, 2013

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation (Continued)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

County Employees Retirement System		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	2.00%	1.88%
Total	100.00%	

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation (Continued)

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 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2016 is the actuarial valuation date upon which the total OPEB liability is based. An expected total OPEB liability is determined as of June 30, 2017 using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. A municipal bond rate was not used.

The following table presents the net OPEB liability of the Convention Center, calculated using the discount rate of 5.84%, as well as what the Convention Center's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.84%) or one percentage point higher (6.84%) :

1% Decrease 4.84%	Current 5.84%	1% Increase 6.84%
$1,303,941	$ 1,024,753	$ 792,425

The following table presents the net OPEB liability of the Convention Center, calculated using the current healthcare trend rate, as well as what the Convention Center's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 786,039	$ 1,024,753	$1,335,068

The initial healthcare trend rate for the pre-65 category starts at 7.50% and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

The initial healthcare trend rate for the post-65 category starts at 5.50% and gradually decreases to an ultimate trend rate of 5.00% over a period of two years.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2018, the Convention Center recognized OPEB expense of $116,775 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 2,846
Changes in assumptions	222,980	
Net difference between projected and actual earnings on investments		48,429
Change in proportionate share		2,378
Contributions subsequent to the measurement date	68,618	
Total	$ 291,598	$ 53,653

The following changes in assumptions occurred between the measurement date and the reporting date:

- The assumed investment return was changed from 7.50% to 6.25%
- The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service
- The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%
- The single discount rate changed from 6.89% to 5.84%

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $68,618 of the total deferred outflows of resources resulted from OPEB contributions made subsequent to the measurement date and will be recognized as a reduction of the new pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2018	$ 29,135
2019	29,135
2020	28,108
2021	29,585
2022	0

Membership

Number of Members Non-Hazardous CERS	
Active Plan Members	84,401
Retired & Beneficiaries Receiving Benefits	54,018
Inactive Plan Members	78,940
Total Members	217,359

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

OPEB Plan Fiduciary Net Position

The Convention Center’s fiduciary net position, net OPEB liability, deferred inflows and outflows of resources related to OPEB, and OPEB expense have been determined on the same basis used by CERS. CERS’ combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

Note 9 – Operating Lease

The Convention Center had an agreement with a local bank to provide a cash disbursement machine within the Convention Center's building. The Convention Center receives $500 each month. This agreement renews annually automatically.

Note 10 – Risk Management

The Convention Center is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Convention Center has purchased commercial insurance to cover these risks except for workers' compensation for which the Convention Center utilizes the Commonwealth of Kentucky's Risk Management Fund to cover these potential risks. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the Risk Management Fund. The amount of commercial coverage has not significantly decreased nor has the amount of settlements exceeded coverage in any of the past three fiscal years. It is also the policy of the Convention Center to purchase a portion of the medical insurance needed to cover its employees.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018
(Continued)

Note 11 – New Accounting Standards

For the fiscal year ended June 30, 2018, the Convention Center implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

This Statement requires changes in the presentation of the financial statements, notes to the financial statements, and required supplementary information for Other Postemployment Benefit (OPEB) plans. It also requires more comprehensive footnote disclosure regarding the net OPEB liability, the sensitivity of the net OPEB liability to the discount rate, and healthcare cost trend rates. The total OPEB liability, determined in accordance with GASB Statement 75 is presented in Note 8.

As a result of implementing this Statement, the beginning net position for fiscal year 2018 was reduced by $738,652.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Schedule of Proportionate Share of the Net Pension Liability[1]

	FY 2018 [2]	FY 2017 [2]	FY 2016 [2]	FY 2015 [2]
Proportion of the net pension liability (asset)	0.05097%	0.04801%	0.04516%	0.04911%
Proportionate share of the net pension liability	$2,983,669	$2,363,810	$1,941,454	$1,593,410
Covered-employee payroll	$1,264,221	$1,129,561	$1,037,197	$1,115,912
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	236.01%	209.27%	187.18%	142.79%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

Schedule of Contributions[1]

	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially required contribution	$ 183,891	$ 173,717	$ 151,698	$ 150,035
Contribution in relation to the actuarial contribution	172,816	164,918	143,653	134,817
Contribution deficiency (excess)	$ 11,075	$ 8,799	$ 8,045	$ 15,218
Covered-employee payroll	$ 1,269,964	$1,264,221	$1,129,561	$1,037,197
Contribution as a percentage of covered-employee payroll	13.61%	13.05%	12.72%	13.00%

[1] These will be 10 year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

[2] The covered employee payroll information is based on the measurement date, which is one year prior to the reporting date.

Notes to Schedule:

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- Payroll growth assumptions decreased from 4.00% to 2.00%
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018
(Continued)

Schedule of Proportionate Share of the Net OPEB Liability[1]

	FY 2018 [2]
Proportion of the net OPEB liability (asset)	0.05097%
Proportionate share of the net OPEB liability	$1,024,753
Covered-employee payroll	$1,264,221
Proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	81.06%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

Schedule of Contributions[1]

	FY 2018
Actuarially required contribution	$ 59,688
Contribution in relation to the actuarial contribution	56,094
Contribution deficiency (excess)	$ 3,595
Covered-employee payroll	$ 1,269,964
Contribution as a percentage of covered-employee payroll	4.42%

[1] These will be 10 year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

[2] The covered employee payroll information is based on the measurement date, which is one year prior to the reporting date.

Notes to Schedule:

- The assumed investment return was changed from 7.50% to 6.25%
- The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service
- The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%
- The single discount rate changed from 6.89% to 5.84%

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation
1 W Rivercenter Blvd
Covington, KY 41011

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 Northern Kentucky Convention Center Corporation (NKCC) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise NKCC's financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NKCC'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 NKCC's internal control. Accordingly, we do not express an opinion on the effectiveness of NKCC'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.

209 St. Clair Street
Frankfort, KY 40601-1817

Telephone 502.564.5841
Facsimile 502.564.2912
www.auditor.ky.gov

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*
(Continued)

Our consideration of internal control over financial reporting 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 financial reporting 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 NKCC'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.

Respectfully Submitted,

Mike Harmon
Auditor of Public Accounts

November 28, 2018