REPORT OF THE AUDIT OF THE NORTHERN KENTUCKY CONVENTION CENTER CORPORATION

For The Fiscal Year Ended
June 30, 2020

MIKE HARMON
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Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Northern Kentucky Convention Center Corporation (NKCC) as of and for the year ended June 30, 2020, 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 the basic 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

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, 2020, 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.

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 is not modified with respect to this matter.

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 the 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.

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 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 23, 2020

FINANCIAL STATEMENTS

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
STATEMENT OF NET POSITION
June 30, 2020

Assets	
Current Assets:	
Cash and Cash Equivalents (Note 3)	$ 2,963,488
Accounts Receivable	419,440
Prepaid Expenses	92,791
Total Current Assets	3,475,719
Noncurrent Assets:	
Investments (Note 3)	619,200
Restricted Cash (Note 2)	113,652
Accounts Receivable	659,214
Property and Equipment, Net (Note 4)	23,066,259
Total Noncurrent Assets	24,458,325
Total Assets	27,934,044
Deferred Outflows of Resources Related to Pensions (Note 9)	823,981
Deferred Outflows of Resources Related to OPEB (Note 10)	345,387
Liabilities	
Current Liabilities:	
Accounts Payable	174,907
Note Payable (Note 7)	100,000
Unearned Revenue (Note 6)	50,000
Event Deposits	1,110,505
PPP Loan Payable (Note 8)	206,250
Total Current Liabilities	1,641,662
Noncurrent Liabilities:	
Note Payable (Note 7)	1,000,000
Unearned Revenue (Note 6)	125,000
Net Pension Liability (Note 9)	3,518,984
Net OPEB Liability (Note 10)	841,348
PPP Loan Payable (Note 8)	206,250
Total Noncurrent Liabilities	5,691,582
Total Liabilities	7,333,244
Deferred Inflows of Resources Related to Pensions (Note 9)	178,340
Deferred Inflows of Resources Related to OPEB (Note 10)	324,660
Net Position:	
Net Investment in Capital Assets (Note 4)	23,066,257
Restricted Cash (Note 2)	113,652
Unrestricted	(1,912,741)
Total Net Position	$ 21,267,168

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, 2020

Operating Revenues:		
Room Tax Revenue	$	1,717,448
Rental Income		742,952
Concession Revenue		1,059,962
Other Income		270,711
Total Operating Revenues		3,791,073
Operating Expenses:		
Advertising and Promotion		193,159
Bank Charges		5,255
Depreciation		1,465,009
Dues and Subscriptions		6,336
Employee Benefits		908,884
Event Security		19,438
Insurance		46,661
Laundry and Uniforms		11,688
Miscellaneous		20,001
Office Expense		7,575
Parking		11,677
Payroll Taxes		89,144
Postage and Shipping		890
Professional Fees		99,501
Repairs and Maintenance		263,577
Salaries and Wages		1,229,520
Security		175,594
Supplies		54,851
Telephone		53,987
Training/Education/Seminars		7,885
Travel and Lodging		2,325
Utilities		240,337
Total Operating Expenses		4,913,294
Operating Income (Loss)		(1,122,221)
Nonoperating Revenues (Expenses):		
Interest Income		7,844
Interest Expense		(6,793)
Net Increase (Decrease) In Fair Value Of Investments		44,700
Total Nonoperating Revenues (Expenses)		45,751
Income (Loss)		(1,076,470)
Net Position at July 1, 2019		22,343,638
Net Position at June 30, 2020	$	21,267,168

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, 2020

Cash Flows from Operating Activities:	
Cash received from clients	$ 2,009,285
Cash received from room tax	1,717,448
Cash paid for goods and services	(1,338,373)
Cash paid for salaries and benefits	(1,815,318)
Cash received from other sources	683,211
Cash paid to other sources	(18,990)
Net Cash Provided (Used) by Operating Activities	1,237,263
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(2,172,457)
Proceeds from issuance of note	1,100,000
Interest paid on debt	(6,793)
Net Cash Provided (Used) for Capital and Related Financing Activities	(1,079,250)
Cash Flows from Investing Activities:	
Proceeds from CDs	501,033
Interest received on investments	7,844
Net Cash Provided (Used) in Investing Activities	508,877
Net Increase (Decrease) in Cash and Cash Equivalents	666,890
Cash and Cash Equivalents at July 1	2,410,250
Cash and Cash Equivalents at June 30	$ 3,077,140
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	$ (1,122,221)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,465,009
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
(Increase) decrease in assets and deferred outflows:	
Receivables	356,396
Prepaid Expenses	(53,038)
Deferred Outflows	(112,817)
Increase (decrease) in liabilities and deferred inflows:	
Accounts Payable and Accrued Expenditures	(84,599)
Unearned Revenue	(50,000)
Event Deposits	(99,014)
Net Pension Liability	531,872
Net OPEB Liability	(29,436)
PPP Loan Liability	412,500
Deferred Inflows	22,611
Net Cash Provided (Used) by Operating Activities	$ 1,237,263
Noncash Investing, Capital, and Financing Activities:	
Change in fair value of investments	$ 44,700
Total Noncash Investing, Capital, and Financing Activities	$ 44,700

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, 2020

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 (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.

Classification of Revenues and Expenses

As an enterprise fund, the Convention Center distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from the rental of space within the facilities, providing services in connection with the Convention Center's ongoing operations, and a room tax imposed and levied for the sole purpose of meeting the operating expenses of the Convention Center. 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 allowed discounts related to event rentals which totaled $847,704 in fiscal year 2020.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(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, 2020 was $113,652.

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 or less. 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, 2020, the Convention Center had deposits with financial institutions of $2,963,488. $250,000 of those deposits are fully insured by the FDIC while the additional balance is collateralized by government securities owned by Central Bank and held on deposit with the Federal Reserve.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(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. Funds in the deposit account are covered by FDIC insurance. During FY20, three of the CDs matured. The Convention Center withdrew $501,033 and reinvested the remaining funds in similar CDs. As of June 30, 2020, the market value for the total investment was $619,200. 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, 2020
(Continued)

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 3,190,584	$	$	$ 3,190,584
Project in Progress	63,329			63,329
Construction in Progress		3,638		3,638
Total Capital Assets, not being depreciated	3,253,913	3,638		3,257,551
Capital Assets, being depreciated				
Building	26,199,466			26,199,466
Equipment	1,537,686	825,692	(151,445)	2,211,933
Improvements	4,977,883	340,515	(25,246)	5,293,152
Furniture and Fixtures	1,469,962	1,002,613	(244,795)	2,227,780
Parking Lot	43,770			43,770
Total Capital Assets, being depreciated	34,228,767	2,168,820	(421,486)	35,976,101
Less Accumulated Depreciation:				
Building	(10,654,449)	(523,989)		(11,178,438)
Equipment	(903,753)	(229,867)	145,680	(987,940)
Improvements	(2,328,869)	(488,604)	25,246	(2,792,227)
Furniture and Fixtures	(1,213,540)	(216,592)	244,687	(1,185,445)
Parking Lot	(22,249)	(1,094)		(23,343)
Total Accumulated Depreciation	(15,122,860)	(1,460,146)	415,613	(16,167,393)
Total Capital Assets, being depreciated	19,105,907	708,674	(5,873)	19,808,708
Total Capital Assets	$ 22,359,820	$ 712,312	$ (5,873)	$ 23,066,259

Note 5 – Lease Payments

In July 2019, the Convention Center entered into a lease agreement with Millennium Capital for the use of copiers and printers for the purpose of daily administrative operations. The terms are for 36 months at a rate of $368 per month. A purchase option exists for the Convention Center to purchase all of the equipment at fair market value at the end of the lease term. If not purchased at the end of the lease term, the Center will return the equipment to Millennium Capital. The following is a schedule, by years, of the future minimum lease payments required under non-cancelable operating leases as of June 30, 2020:

Fiscal Year	Dollars
2021	$ 4,418
2022	4,050
Total Future Minimum Lease Payments	$ 8,468

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 6 – Unearned Revenue

Unearned revenue represents an agreed upon payment of a $250,000 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, 2019 and terminates December 31, 2023. The balance at June 30, 2020 is $175,000.

Note 7 – Note Payable

In October 2019, the Convention Center was provided a loan commitment with a local financial institution as a revolving line of credit for the Convention Center's planned updates during fiscal year 2020 and 2021. The terms permit the Convention Center to draw up to $2,000,000 for the updates, with interest only quarterly payments through the 24-month period, at Central Bank's index floating rate. Upon expiration, the note terms require payment. The Convention Center's loan is collaterally secured by an account held at Central Bank and Trust. During FY 2020, the Convention Center paid a total of $6,793 in interest payments. As of June 30, 2020, the balance of the note payable totaled $1,100,000.

Note 8 – Payroll Protection Program Payable

On May 13, 2020, the Convention Center received loan proceeds in the amount of approximately $412,500 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Convention Center intends to use the proceeds for purposes consistent with the PPP regulations. While the Convention Center currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is no assurance that the Convention Center will not take actions that could cause the Convention Center to be ineligible for forgiveness of the loan, in whole or in part.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 9 – Retirement Plan

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 5% 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 2020 the required contribution rate for the Convention Center was 19.3%. As of June 30, 2020, CERS recognized contributions of $248,671 by the Convention Center during the reporting period.

At June 30, 2020, the Convention Center reported a liability of $3,518,983 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, 2018. As of June 30, 2020, the Convention Center's proportionate share percentage was 0.050035%. 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, 2020
(Continued)

Note 9 – Retirement Plan (Continued)

Plan Description (Continued)

	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, 2020
(Continued)

Note 9 – Retirement Plan (Continued)

Actuarial Valuation

Employer Contribution	19.30%
Member Contribution	5% Tier 1, 2, and 3
Actuarial Valuation Date	June 30, 2018 with roll-forward procedures to measurement date June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining amortization period	24 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected market value of assets is recognized.
Actuarial assumptions:	
Investment rate of return	6.25%
Inflation Rate	2.30%
Projected salary increases	3.30% to 10.30%, varies by service
Mortality Tables	The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Date of Experience Study	June 30, 2018

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 9 – Retirement Plan (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	18.75%	4.30%
International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 9 – Retirement Plan (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 24 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, 2018 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2019 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.

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%
$ 4,401,250	$ 3,518,983	$ 2,783,622

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 9 – Retirement Plan (Continued)

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2020, the Convention Center recognized pension expense of $652,186 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	$ 89,850	$ 14,869
Changes in assumptions	356,161	
Net difference between projected and actual earnings on investments	67,551	124,278
Change in proportionate share	61,748	39,193
Contributions subsequent to the measurement date	248,671	
Total	$ 823,981	$ 178,340

The $248,671 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 pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2021	$ 255,615
2022	97,944
2023	39,387
2024	4,025
2025	

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 9 – Retirement Plan (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The Board of Trustees for CERS, in consultation with the actuary, sets the actuarial assumptions and methods used in the actuarial valuation. An experience study was conducted after the June 30, 2018 actuarial valuation and the Board adopted updated assumptions for use in the June 30, 2019 actuarial valuation. The principle updated assumptions include:

- Change in the rates of salary increases for individuals.
- New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
- Updated mortality assumptions for members during employment and for disabled retirees.
- Change in the rates of retirement.
- Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
- Updated rates of disability incidence.

Membership

Number of Members Non-Hazardous CERS	
Active Plan Members	84,632
Retired & Beneficiaries Receiving Benefits	58,933
Inactive Plan Members	85,300
Total Members	228,865

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, 2020
(Continued)

Note 9 – Retirement Plan (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 10 – 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 2020 the required contribution rate for the Convention Center was 4.76%. As of June 30, 2020, CERS recognized contributions of $61,330 by NKCC during the reporting period.

At June 30, 2020, the Convention Center reported a liability of $841,348 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, 2018. As of June 30, 2020, the Convention Center’s proportionate share percentage was 0.050022%. 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, 2020
(Continued)

Note 10 – Other Post-Employment Benefits (Continued)

Plan Description (Continued)

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

	Participation Prior to 7/1/2003	Participation on or after 7/1/2003	Participation on or after 9/1/2008
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.		
Benefit Formula:	Based on years of service. KRS pays a percentage of the monthly contribution rate.	10 yrs of earned service at retirement to be eligible for insurance benefits. Benefit of $10 per month for each year of earned service without regard to a maximum dollar amount.	15 years for eligibility. Benefit of $10 per month for each year of earned service without regard to maximum dollar amount.
Cost of Living Adjustment (COLA):	Members participating after 2008 receive 1.5% increase annually.		
Contribution Rate:	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. Member contribution is 1% of salary.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – Other Post-Employment Benefits (Continued)

Actuarial Valuation

Employer Contribution	4.76%
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, 2018 with roll-forward procedures to the measurement date of June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	24 years, Closed
Actuarial assumptions:	
Investment rate of return	6.25%
Inflation Rate	2.30%
Payroll Growth	2.00%
Projected salary increases	3.30% to 10.30%, varies by service
Mortality Tables	For active members, the mortality tables used were the PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the table used was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled retirees, the PUB-2010 Disabled Mortality table was used, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthcare Trend Rates:	
Pre-65	Intitial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.00% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at january 1, 2020 and gradaully decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Date of Experience Study	June 30, 2018

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – 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	18.75%	4.30%
International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – 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 24 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, 2018 is the actuarial valuation date upon which the total OPEB liability is based. An expected total OPEB liability is determined as of June 30, 2019 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 of 3.13% was used.

The following table presents the net OPEB liability of the Convention Center, calculated using the discount rate of 5.68%, 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 (4.68%) or one percentage point higher (6.68%):

1% Decrease 4.68%	Current 5.68%	1% Increase 6.68%
$ 1,127,060	$ 841,348	$ 605,940

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 discount rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 625,714	$ 841,348	$ 1,102,828

The initial healthcare trend rate for the pre-65 category starts at 7.00% and gradually decreases to an ultimate trend rate of 4.00% over a period of 12 years.

The initial healthcare trend rate for the post-65 category starts at 5.00% and gradually decreases to an ultimate trend rate of 4.05% over a period of 10 years.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – Other Post-Employment Benefits (Continued)

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2020, the Convention Center recognized OPEB expense of $88,110 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	$	$ 253,854
Changes in assumptions	248,963	1,665
Net difference between projected and actual earnings on investments	5,542	42,911
Change in proportionate share	11,487	26,230
Contributions subsequent to the measurement date	79,395	
Total	$ 345,387	$ 324,660

The $79,395 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 OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2021	$ (9,058)
2022	(9,058)
2023	2,823
2024	(20,252)
2025	(19,451)
Thereafter	(3,673)

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – Other Post-Employment Benefits (Continued)

Deferred Inflows/Outflows of Resources (Continued)

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

- Change in the rates of salary increases for individuals.
- New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
- Updated mortality assumptions for members during employment and for disabled retirees.
- Change in the rates of retirement.
- Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
- Updated rates of disability incidence.

Membership

Number of Members Non-Hazardous CERS	
Active Plan Members	81,470
Inactive Plan Members Receiving Benefits	35,157
Inactive Plan Members	8,214
Total Members	124,841

Note, the membership counts for the health insurance funds are different than the membership counts for the retirement funds due to differences in vesting provisions and the coordination of delivery of health insurance benefits to members that have earned service in more than one system maintained by CERS.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020
(Continued)

Note 10 – 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 11 – 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, 2020
(Continued)

Note 12 – Subsequent Event - Ongoing Effects of COVID-19

The Convention Center closed its doors on March 16, 2020 due to the COVID-19 global pandemic. As of November 2020, the Convention Center has not been able to fully reopen due to the ongoing threat. Payroll and expenses have been reduced. The outlook, as of today, is very fragile for the first two quarters of 2021. The Center has been able to hold three small events this fall with all protocols in place and significantly reduced staffing. The Convention Center does not anticipate another event until the middle of the first quarter of 2021. Events scheduled in the first quarter of 2021 are all pending the control of the virus as it is not practical for groups of people to gather even with safety protocols in place if the virus is not controlled and exposure numbers decreasing. Ultimately, until a vaccine is approved, and widely distributed, event status will remain uncertain. The Convention Center's client base continues to book events further out and with each cancellation they roll over to the next available year. Once some consumer confidence is achieved, the Convention Center has many events waiting to take place.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability[2]

	FY 2020[2]	FY 2019[2]	FY 2018[2]	FY 2017[2]	FY 2016[2]	FY 2015[2]
Proportion of the net pension liability (asset)	0.05004%	0.04905%	0.05097%	0.04801%	0.04516%	0.04911%
Proportionate share of the net pension liability	$ 3,518,983	$ 2,987,111	$ 2,983,669	$ 2,363,810	$ 1,941,454	$ 1,593,410
Covered-employee payroll	$ 1,213,247	$ 1,204,068	$ 1,211,195	$ 1,160,491	$ 1,037,197	$ 1,115,912
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	290.05%	248.08%	246.34%	203.69%	187.18%	142.79%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of Contributions[1]

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially required contribution	$ 276,888	$ 218,599	$ 183,891	$ 173,717	$ 151,698	$ 150,035
Contribution in relation to the actuarial contribution	248,671	206,074	172,816	164,918	143,653	134,817
Contribution deficiency (excess)	$ 28,217	$ 12,525	$ 11,075	$ 8,799	$ 8,045	$ 15,218
Covered-employee payroll	$ 1,229,520	$ 1,213,247	$ 1,204,068	$ 1,211,195	$ 1,160,491	$1,037,197
Contribution as a percentage of covered-employee payroll	20.23%	16.99%	14.35%	13.62%	12.38%	13.00%

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

[2] This column is based on the measurement date, which is one year prior to the reporting date.

Notes to RSI

The principle updated assumptions include:

- Change in the rates of salary increases for individuals.
- New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
- Updated mortality assumptions for members during employment and for disabled retirees.
- Change in the rates of retirement.
- Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
- Updated rates of disability incidence.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020
(Continued)

Schedule of Proportionate Share of the Net OPEB Liability[2]

	FY 2020[2]	FY 2019[2]	FY 2018[2]
Proportion of the net OPEB liability (asset)	0.05002%	0.04905%	0.05097%
Proportionate share of the net OPEB liability	$ 841,348	$ 870,874	$ 1,024,753
Covered-employee payroll	$ 1,289,256	$ 1,260,533	$ 1,264,122
Proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	65.26%	66.75%	81.06%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

Schedule of Contributions[1]

	FY 2020	FY 2019	FY 2018
Actuarially required contribution	$ 58,525	$ 70,890	$ 59,688
Contribution in relation to the actuarial contribution	61,330	66,828	56,094
Contribution deficiency (excess)	$ (2,805)	$ 4,062	$ 3,595
Covered-employee payroll	$ 1,229,520	$ 1,289,256	$ 1,260,533
Contribution as a percentage of covered-employee payroll	6.46%	5.18%	4.42%

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

[2] This column is based on the measurement date, which is one year prior to the reporting date.

Notes to RSI

The principle updated assumptions include:

- Change in the rates of salary increases for individuals.
- New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
- Updated mortality assumptions for members during employment and for disabled retirees.
- Change in the rates of retirement.
- Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
- Updated rates of disability incidence.

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, 2020, and the related notes to the financial statements, which collectively comprise NKCC's financial statements, and have issued our report thereon dated November 23, 2020.

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.

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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. We did identify a deficiency in internal control, described in the accompanying schedule of financial statement findings that we consider to be a significant deficiency. That finding is identified as 2020-01.

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 23, 2020

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

NORTHERN KENTUCKY CONVENTION CENTER
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020

FINDING 2020-01: The Northern Kentucky Convention Center Did Not Provide Sufficient Documentation To Support The Disposal Of Capital Assets

The Northern Kentucky Convention Center (NKCC) disposed of capital assets in fiscal year 2020 (FY20), but did not provide sufficient documentation to support the disposal of those assets. NKCC provides supporting documentation at the end of the fiscal year for assets to be added or removed from the capital asset list and adjusting entries are recommended to NKCC based on the supporting documentation provided. The supporting documentation for disposals includes a Disposal of Property Form which gives a description of the asset, the department name, the date of disposal, the inventory number, the reason for disposal, the estimated value if operational, the means of disposal, the name and address of the purchaser if the item was sold, the amount received, and the signatures of the department head and the Executive Director.

NKCC employees reviewed the capital asset list and identified capital assets that were disposed of in FY20. The Executive Director then reviewed the list of disposals and approved it. NKCC provided the list of 44 assets that were disposed of at a total historic value of $421,486. However, NKCC did not provide disposal documentation for all of the assets. As a result, it was not possible in all cases to determine which assets on the provided disposal documentation should be removed.

The Disposal of Property Form was not completed in all cases and therefore certain disposals could not be supported.

The lack of documentation to support the disposals of capital assets could result in assets being disposed of or sold without management knowledge and approval. Disposals could also be recorded on the financial statements at an incorrect amount or in the wrong fiscal year. Internal controls over the disposal process should ensure the items being disposed of are removed from the financial statements in accordance with GAAP.

NKCC complies with the requirements of the Governmental Accounting Standards Board (GASB). GASB Section 1400 705-10 states:

> Capital assets should be written off when they are disposed of. As a result of differences between estimated useful lives used for depreciation computations and actual useful lives, governments may, in limited cases, have capital assets that are fully depreciated but have not been disposed of. …Such capital assets should continue to be reported by the government. Fully depreciated capital assets do not affect the net balance of capital assets. However, the balances of historical cost and accumulated depreciation, which are disclosed separately in the notes to the financial statements and may be displayed separately in the statement of net position, are affected by and should include fully depreciated capital assets that have not been disposed of.

NORTHERN KENTUCKY CONVENTION CENTER
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2020 (Continued)

FINDING 2020-01: The Northern Kentucky Convention Center Did Not Provide Sufficient Documentation To Support The Disposal Of Capital Assets (Continued)

Recommendation

We recommend NKCC ensure disposals are documented, approved, and supported appropriately by using the disposal form for all tangible property disposals.

Management's Response and Planned Corrective Action

We agree with the finding. We overlooked completing paperwork on some of the large assets disposed of during remodeling. Carpeting and old office walls were overlooked. We will continue to use disposal forms on all items removed from the facility and they will be tracked on a spreadsheet in our accounting department with attached supportive backup. The department head will continue to submit the form to the Executive Director for approval then it will be recorded and saved in accounting.