REPORT OF THE AUDIT OF THE NORTHERN KENTUCKY CONVENTION CENTER CORPORATION

For The Fiscal Year Ended
June 30, 2023

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Andy Beshear, Governor
Board of Directors, Northern Kentucky Convention Center Corporation

The enclosed report prepared by Dean Dorton Allen Ford, PLLC presents the financial audit of the books and records of the Northern Kentucky Convention Center Corporation for the year ended June 30, 2023 as required by KRS 154.90-020.

We engaged Dean Dorton Allen Ford, PLLC to perform the audit in accordance with auditing standards generally accepted in the United States of America. We worked closely with the firm during our report review process.

Respectfully submitted,
Allison Ball
Allison Ball
Auditor of Public Accounts

Enclosure

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DEANDORTON

Independent Auditor's Report

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the basic financial statements of the Northern Kentucky Convention Center Corporation (NKCCC), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise NKCCC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of NKCCC as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NKCCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NKCCC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 NKCCC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NKCCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation
Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Pension Contributions, Proportionate Share of the Net OPEB Liability, OPEB Contributions and related notes on pages 24 to 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

NKCCC 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024 on our consideration of NKCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NKCCC'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 NKCCC's internal control over financial reporting and compliance.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
May 29, 2024

FINANCIAL STATEMENTS

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
STATEMENT OF NET POSITION
June 30, 2023

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 2,594,623
Investments	465,090
Accounts Receivable	497,019
Prepaid Expenses	64,846
Total Current Assets	3,621,578
Noncurrent Assets:	
Restricted Cash	214,213
Accounts Receivable	187,945
Capital Assets:	
Land and Construction in Progress	3,190,584
Other Capital Assets, Net	16,951,110
Total Noncurrent Assets	20,543,852
Total Assets	$ 24,165,430
Deferred Outflows of Resources	
Pensions	$ 1,171,419
OPEB	603,228
Total Deferred Outflows of Resources	$ 1,774,647
Liabilities	
Current Liabilities:	
Accounts Payable	$ 211,807
Unearned Revenue	50,000
Event Deposits	544,330
Total Current Liabilities	806,137
Noncurrent Liabilities:	
Note Payable	1,550,000
Unearned Revenue	25,000
Net Pension Liability	3,303,442
Net OPEB Liability	901,679
Total Noncurrent Liabilities	5,780,121
Total Liabilities	$ 6,586,258
Deferred Inflows of Resources	
Pensions	$ 447,245
OPEB	550,763
Total Deferred Inflows of Resources	$ 998,008
Net Position	
Net Investment in Capital Assets	$ 18,591,694
Restricted For Promotions and Capital Improvements	214,213
Unrestricted	(450,096)
Total Net Position	$ 18,355,811

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, 2023

Operating Revenues:		
Room Tax Revenue	$	2,300,842
Rental Income		890,684
Concession Revenue		801,208
Other Income		260,087
Total Operating Revenues		4,252,821
Operating Expenses:		
Advertising and Promotion		153,488
Bank Charges		4,191
Depreciation and Amortization		1,158,351
Dues and Subscriptions		12,830
Employee Benefits		534,406
Event Security		6,525
Insurance		130,087
Miscellaneous		(53,457)
Office Expense		29,279
Parking and Bus		12,357
Payroll Taxes		102,707
Postage and Shipping		299
Professional Fees		57,348
Repairs and Maintenance		410,874
Salaries and Wages		1,429,265
Security		245,446
Supplies		37,412
Telephone		44,236
Travel and Lodging		425
Uniforms		17,370
Utilities		363,458
Total Operating Expenses		4,696,897
Operating Loss		(444,076)
Nonoperating Revenues (Expenses):		
Interest Income		7,223
Interest Expense		(98,604)
Unrealized Loss on Investments		(8,045)
Loss on Disposal of Assets		(38,278)
Total Nonoperating Revenues (Expenses)		(137,704)
Income (Loss)		(581,780)
Beginning Net Position		18,937,591
Ending Net Position	$	18,355,811

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, 2023

Cash Flows from Operating Activities:	
Cash received from clients	$ 1,739,636
Cash received from room tax	2,310,433
Cash paid for goods and services	(1,411,688)
Cash paid for salaries and benefits	(2,160,414)
Cash received from other sources	260,087
Net cash provided by operating activities	738,054
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(784,765)
Borrowings on line of credit	450,000
Interest paid on debt	(98,604)
Net cash used in capital and related financing activities	(433,369)
Cash Flows from Investing Activities:	
Interest received on investments	7,223
Net change in cash and cash equivalents	311,908
Cash and cash equivalents at July 1, 2022	2,496,928
Cash and cash equivalents at June 30, 2023	$ 2,808,836
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating loss	$ (444,076)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,158,351
Change in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	380,015
Prepaid expenses	9,737
Deferred outflows of resources	(1,128,483)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	50,743
Unearned revenue	(50,000)
Event deposits	(272,680)
Net pension liability	1,411,173
Net OPEB liability	333,623
Deferred inflows of resources	(710,349)
Net cash provided by operating activities	$ 738,054
Noncash Investing, Capital, and Financing Activities:	
Disposal of capital assets	$ (38,278)
Change in fair value of investments	(8,045)
Total noncash investing, capital, and financing activities	$ (46,323)

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, 2023

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. These accounting policies conform to accounting principles generally accepted in the United States of America, as promulgated by the Governmental Account Standards Board, 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.

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 and other services which totaled $1,766,519 in fiscal year 2023.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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 three to 50 years. The Convention Center's capitalization policy is to capitalize all expenditures of $10,000 or greater when the asset has a life in excess of three years.

Accounts Receivable

Accounts receivable represent amounts due from customers for events and room tax receivables. Room tax receivables at June 30, 2023 were $208,700.

An allowance for uncollectable amounts is recorded to the extent that a portion or all of a particular account will not be collected. In evaluating the collectability of accounts receivable, the Convention Center considers a number of factors, including historical loss rates, the age of the accounts, changes in collection patterns, and general industry conditions. Management considers accounts receivables to be fully collectable at June 30, 2023, accordingly, no allowance for uncollectible amounts was recorded.

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.

Event Deposits

Event deposits represent invoices issued, or payments received, from customers prior to the event being held, and revenue being recognized.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- Net investment in capital assets: This classification is intended to reflect the portion of net position associated with capital assets (net of accumulated depreciation), less outstanding capital assets related debt.

- Restricted: This classification represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, law/regulations of other governments or constitutional provisions, or (b) from enabling legislation.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

- Unrestricted: This classification represents amounts not appropriated for expenditures or legally segregated for a specific future use.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through May 29, 2024, the date that the financial statements were available to be issued.

Note 2 – Restricted Cash - Noncurrent Asset

The Convention Center has agreements with one vendor where specified dollar amounts are set 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, 2023 was $214,213.

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, 2023, the Convention Center had deposits with financial institutions of $2,876,186 (including the restricted cash balances). $250,000 of those deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) while the additional balance is collateralized by government securities owned by Central Bank and held on deposit with the Federal Reserve.

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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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

- 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.

The Convention Center invests in certificates of deposit (CD), held at the Depository Trust Company. The principal for each of the index CD is backed by the FDIC, within the applicable FDIC limits. Funds in the deposit account are covered by FDIC insurance. As of June 30, 2023, the market value for the total investment was $465,090. These index-linked CDs are classified as Level 1 within the fair value hierarchy.

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 3,190,584	$ -	$ -	$ 3,190,584
Construction in Progress	100,000	-	(100,000)	-
Total Capital Assets, not being depreciated	3,290,584	-	(100,000)	3,190,584
Capital Assets, being depreciated				
Building	26,199,466	-	-	26,199,466
Equipment	2,293,349	-	(97,123)	2,183,616
Improvements	5,336,478	835,528	(765,702)	5,406,302
Furniture and Fixtures	2,263,186	49,237	(422,366)	1,890,056
Parking Lot	43,770	-	-	43,770
Total Capital Assets, being depreciated	36,136,249	884,765	(1,285,191)	35,723,210
Less Accumulated Depreciation:				
Building	(12,226,416)	(523,989)	-	(12,750,407)
Equipment	(1,479,035)	(211,655)	97,123	(1,599,564)
Improvements	(3,631,965)	(310,292)	727,425	(3,196,221)
Furniture and Fixtures	(1,510,328)	(111,321)	422,365	(1,199,281)
Parking Lot	(25,531)	(1,094)	-	(26,627)
Total Accumulated Depreciation	(18,873,275)	(1,158,351)	1,246,913	(18,772,100)
Total Capital Assets, being depreciated	17,262,974	(273,586)	(38,278)	16,951,110
Total Capital Assets	$ 20,553,558	$ (273,586)	$ (138,278)	$ 20,141,694

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 5 – 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 arrangement terminates December 31, 2025. The balance as of June 30, 2023 is $75,000.

Note 6 – 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. 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 (8.25% at June 30, 2023). Upon expiration, the note terms require payment. In October 2023, the maturity date of the line of credit was extended to October 16, 2025. The Convention Center's loan is collaterally secured by an account held at Central Bank and Trust. During fiscal year 2023, the Convention Center paid a total of $98,604 in interest payments. As of June 30, 2023, the balance of the note payable totaled $1,550,000.

Note 7 – 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). CERS is governed by a 9-member board of trustees. Another 9-member board of trustees called the Kentucky Retirement Systems oversees the Kentucky Employees Retirement Systems (KERS) and the State Police Retirement System (SPRS). The administrative entity comprising the office of counselors and professional staff is the Kentucky Public Pensions Authority (KPPA). It is governed by a third 8-member board composed of trustees from CERS and the Kentucky Retirement Systems. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by the KPPA. This report can be obtained by writing to the KPPA, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by visiting the website at www.kyret.ky.gov or by calling (502) 696-8800.

The CERS 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 CERS 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 2023, the required contribution rate for the Convention Center was 23.40%. Contributions of $328,157 were made by the Convention Center to CERS during the year ended June 30, 2023.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 7 – Retirement Plan (Continued)

Plan Description (Continued)

At June 30, 2023, the Convention Center reported a liability of $3,303,442 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, 2022. As of June 30, 2023, the Convention Center's proportionate share percentage was 0.045697%. This percentage is based on the long-term share of contributions by the Convention Center in relation to all other participating employers in CERS.

	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, 2023
(Continued)

Note 7 – Retirement Plan (Continued)

Actuarial Valuation

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel, Roeder, Smith & Company (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

The actuarial assumptions for CERS are:

Employer Contribution	23.40%
Member Contribution	5% Tier 1, 2, and 3
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining amortization period	Amortize the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period.
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	6.25%
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 the PUB-2010 General Mortality table for the nonhazardous plan, 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 the 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 1, 2013 - July 30, 2018

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 7 – 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Special Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	

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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 7 – Retirement Plan (Continued)

Actuarial Valuation (Continued)

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%
$ 4,128,893	$ 3,303,442	$ 2,620,726

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kyret.ky.gov or can be obtained as described previously.

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2023, the Convention Center recognized pension expense of $184,428 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	$ 3,532	$ 29,419
Changes in assumptions	-	-
Net difference between projected and actual earnings on investments	84,689	-
Change in proportionate share	755,041	417,826
Contributions subsequent to the measurement date	328,157	-
Total	$ 1,171,419	$ 447,245

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 7 – Retirement Plan (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $328,157 of the total deferred outflows of resources resulted from pension contributions made subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2023	$ (495)
2024	330,429
2025	(27,760)
2026	93,843
	$ 396,017

Pension Plan Fiduciary Net Position

The 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.

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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

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 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 the KPPA. This report can be obtained by writing to the KPPA, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by visiting the website at www.kyret.ky.gov or by calling (502) 696-8800.

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 CERS Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system. For fiscal year 2023, the required contribution rate for the Convention Center was 3.39%. Contributions of $47,541 were made by the Convention Center to CERS during the year ended June 30, 2023.

At June 30, 2023, the Convention Center reported a liability of $901,679 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, 2022. As of June 30, 2023, the Convention Center's proportionate share percentage was 0.45689%. This percentage is based on the long-term share of contributions by the Convention Center in relation to all other participating employers in CERS.

	Tier 1 Participation Prior to 7/1/2003	**Tier 2** Participation on or after 7/1/2003	**Tier 3** 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 Factor:	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 employers are actuarially determined. Member contribution is 1% of salary.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by GRS. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principle.

Senate Bill 209, passed during the 2022 legislative session, increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

The actuarial assumptions for CERS are:

Employer Contribution	3.39%
Member Contribution	Participation prior to 9/1/2008 make no contribution. Participation on or after 9/1/2008 contribute 1%.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortize the unfunded accrual liability as of June 30, 2019 over a closed 30-year amortization period.
Remaining Amortization Period	20 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

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation (Continued)

Mortality Tables	For active members, the mortality tables used were the PUB-2010 General Mortality table for the nonhazardous plan, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled 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 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Date of Experience Study	June 1, 2013 - July 30, 2018

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 OPEB 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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation (Continued)

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

Asset Class		Target Allocation	Long-Term Expected Real Rate of Return
Public Equity		50.00%	4.45%
Private Equity		10.00%	10.15%
Special Credit/High Yield		10.00%	2.28%
Core Bonds		10.00%	0.28%
Cash		0.00%	-0.91%
Real Estate		7.00%	3.67%
Real Return		13.00%	4.07%
	Total	100.00%	

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

The 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.

The discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the nonhazardous plan. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of KPPA's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of KPPA's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Actuarial Valuation (Continued)

The following table presents the net OPEB liability of the Convention Center, calculated using the discount rate of 5.70%, 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 (4.70%) or one percentage point higher (6.70%):

1% Decrease 4.70%	Current 5.70%	1% Increase 6.70%
$ 1,205,401	$ 901,679	$ 650,602

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
$ 670,378	$ 901,679	$ 1,179,427

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kyret.ky.gov or can be obtained as described previously.

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2023, the Convention Center recognized OPEB expense of $97,233 and deferred outflows and deferred inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 90,761	$ 206,776
Changes in assumptions	142,607	117,507
Net difference between projected and actual earnings on investments	36,597	-
Change in proportionate share	253,214	226,480
Contributions subsequent to the measurement date	80,049	-
Total	$ 603,228	$ 550,763

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 8 – Other Post-Employment Benefits (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The $80,049 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, 2023. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amortization
2023	$ (19,346)
2024	(16,807)
2025	(49,038)
2026	57,607
	$ (27,584)

OPEB Plan Fiduciary Net Position

The 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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023
(Continued)

Note 9 – 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 fire and tornado coverage, for which the Convention Center utilizes the Commonwealth of Kentucky's Risk Management Fund to cover these potential risks. The Commonwealth of Kentucky's Annual Comprehensive 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.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

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

	FY 2023 [2]	FY 2022 [2]	FY 2021 [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)	0.04570%	0.02968%	0.04654%	0.05004%	0.04905%	0.05097%	0.04801%	0.04516%	0.04911%
Proportionate share of the net pension liability	$3,303,442	$1,892,269	$3,569,363	$3,518,983	$2,987,111	$2,983,669	$2,363,810	$1,941,454	$1,593,410
Covered-employee payroll	$1,263,621	$ 789,006	$1,232,361	$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	261.43%	239.83%	289.64%	290.05%	248.08%	246.34%	203.69%	187.18%	142.79%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of Pension Contributions[1]

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially required contribution	$ 317,271	$ 266,839	$ 187,862	$ 276,888	$ 218,599	$ 183,891	$ 173,717	$ 151,698	$ 150,035
Contribution in relation to the actuarial contribution	328,157	256,100	139,678	248,671	206,074	172,816	164,918	143,653	134,817
Contribution deficiency (excess)	$ (10,886)	$ 10,739	$ 48,184	$ 28,217	$ 12,525	$ 11,075	$ 8,799	$ 8,045	$ 15,218
Covered-employee payroll	$1,348,943	$1,263,621	$ 789,006	$1,232,361	$1,213,247	$1,204,068	$1,211,195	$1,160,491	$1,037,197
Contribution as a percentage of covered-employee payroll	24.33%	20.27%	17.70%	20.18%	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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023
(Continued)

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

	FY 2023 [2]	FY 2022 [2]	FY 2021 [2]	FY 2020 [2]	FY 2019 [2]	FY 2018 [2]
Proportion of the net OPEB liability (asset)	0.04570%	0.02967%	0.04653%	0.05002%	0.04905%	0.05097%
Proportionate share of the net OPEB liability	$ 901,679	$ 568,056	$1,123,437	$ 841,348	$ 870,784	$1,024,753
Covered-employee payroll	$1,263,621	$ 789,006	$1,232,361	$1,213,247	$1,204,068	$1,211,195
Proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	71.36%	72.00%	91.16%	69.35%	72.32%	84.61%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	62.91%	51.67%	60.44%	57.62%	52.39%

Schedule of OPEB Contributions[1]

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Actuarially required contribution	$ 45,729	$ 73,037	$ 37,557	$ 58,525	$ 70,890	$ 59,688
Contribution in relation to the actuarial contribution	47,541	88,613	34,449	61,330	66,828	56,094
Contribution deficiency (excess)	$ (1,812)	$ (15,576)	$ 3,108	$ (2,805)	$ 4,062	$ 3,594
Covered-employee payroll	$1,348,943	$1,263,621	$ 789,006	$1,232,361	$1,213,247	$1,204,068
Contribution as a percentage of covered-employee payroll	3.52%	7.01%	4.37%	4.98%	5.51%	4.66%

[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.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023
(Continued)

Notes to the Required Supplementary Information

The following summarizes key changes in assumptions and benefit terms from year to year:

2023 (CERS plan year ended June 30, 2022): Senate Bill 209, passed during the 2022 Legislative Session, increased the insurance dollar payment for members hired on or after July 1, 2003 and is first payable January 1, 2023. The discount rate used to calculate the total OPEB liability changed from 5.20% to 5.70% for the nonhazardous plan.

2022 (CERS plan year ended June 30, 2021): Senate Bill 169, passed during the 2021 Legislative Session, increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty related disability. The discount rate used to calculate the total OPEB liability changed from 5.34% to 5.20% for the nonhazardous plan.

2021 (CERS plan year ended June 30, 2020): Senate Bill 249, passed during the 2020 Legislative Session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. Additionally, House Bill 271, passed during the 2020 Legislative Session, removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. The payroll growth assumption was changed to 3.30% to 10.30% for nonhazardous employees for the pension plan.

2020 (CERS plan year ended June 30, 2019): Annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for nonhazardous members; the assumed increase in future health care costs, or trend assumption was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003. The payroll growth assumption changed to 3.30% to 11.55% for nonhazardous employees for the pension plan and 3.30% to 10.30% for nonhazardous employees for the OPEB plan.

2019 (CERS plan year ended June 30, 2018): There were no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members were increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children were increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023
(Continued)

Notes to the Required Supplementary Information (Continued)

2018 (CERS plan year ended June 30, 2017): The demographic and economic assumptions that affect the measurement of the total pension liability were updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%.

2017 (CERS plan year ended June 30, 2016): None.

2016 (CERS plan year ended June 30, 2015): The demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used was changed to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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*

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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*

Independent Auditor's Report

Gretchen Landrum, Executive Director
Northern Kentucky Convention Center Corporation

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 (NKCCC), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise NKCCC's basic financial statements, and have issued our report thereon dated May 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NKCCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NKCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of NKCCC's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NKCCC's financial statements are free of 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 financial statements. 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.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
May 29, 2024

SCHEDULE OF PRIOR YEAR FINDINGS

NORTHERN KENTUCKY CONVENTION CENTER CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2023

FINDING 2022-001: The Northern Kentucky Convention Center Did Not Accurately Compile the Financial Statements

During the fiscal year (FY) 2022 audit of the Northern Kentucky Convention Center (NKCC), misstatements were identified in the financial statements and related notes. Adjusting journal entries were recommended before and after the financial statements were prepared. In addition, other recommendations were made for various inconsistencies in the financial statements and related notes.

NKCC did not develop procedures to record the pension, OPEB, and lease entries appropriately. Regarding the entries recommended after the financial statements and the noted inconsistencies, NKCC did not have adequate internal controls to review the financial statements with the adjusted trial balance and other supporting documentation. Regarding accumulated depreciation and depreciation expense, NKCC incorrectly included disposals in the depreciation calculation.

The financial statements and related notes were misstated. NKCC corrected these misstatements after audit adjustments and edits were recommended, before the issuance of the report.

Recommendation

Prepared journal entries should be verified against supporting documentation and reviewed to ensure they are complete and accurate. An effective internal control system requires management ensure accurate accounting and financial reporting, whereby the financial statements are accurately presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Implementation of control activities should focus on the prevention, detection, and correction of errors, omissions, and/or misstatements.

NKCC should develop internal controls to prepare and review adjusting entries and the financial statements prior to submission to the auditor. NKCC should provide training to financial reporting staff who prepare financial statements in order to be knowledgeable with new accounting and reporting standards.

Management's Response and Planned Corrective Action

NKCC is in the process of hiring a CPA firm to assist in review of adjusting entries and financial statements prior to submission to the auditor. Through this process, training will be given to financial reporting staff, so they are knowledgeable with new accounting and reporting standards. The CPA firm will be under contract beginning July 1, 2023.

Current Status at June 30, 2023

NKCC, with the aid of an outsourced CPA firm, corrected the findings noted above.