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JUN 16 2009

PUBLIC SERVICE  
COMMISSION

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June 16, 2009

**HAND DELIVERED**

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

Mark R. Overstreet  
(502) 209-1219  
(502) 223-4387 FAX  
moverstreet@stites.com


**RE: P.S.C. Case No. 2009-00117**

Dear Mr. Derouen:

Enclosed please find and accept for filing the original and five copies of the responses by Kentucky Power Company and Community Action Kentucky, Inc. to the Staff's data requests in the above matter.

If you have any questions please do not hesitate to contact me.

Very truly yours,



Mark R. Overstreet

cc: Dennis G. Howard, II  
Joe F. Childers  
Kip Bowmar

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JUN 16 2009

PUBLIC SERVICE  
COMMISSION

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE**

**PUBLIC SERVICE COMMISSION OF KENTUCKY**

**IN THE MATTER OF:**

**TWO YEAR REVIEW OF KENTUCKY POWER )  
COMPANY'S HOME ENERGY ASSISTANCE ) CASE NO. 2009-00117  
PROGRAM )**

**KENTUCKY POWER COMPANY**

**RESPONSES TO COMMISSION STAFF'S FIRST SET OF DATA REQUESTS**

**June 16, 2009**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) CASE NO. 2009-00117  
COUNTY OF FRANKLIN )

The undersigned, **Errol Wagner**, being duly sworn, states he is the Director of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the Data Responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*Errol K Wagner*  
ERROL K. WAGNER

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16<sup>th</sup> day of June 2009.

*Judy K Requist* (SEAL)  
Notary Public

My Commission Expires:

January 23, 2013





## **Kentucky Power Company**

### **REQUEST**

Refer to the table at the bottom of page 5 of the Home Energy Assistance Program ("HEAP") Evaluation Report ("Report") filed on March 31, 2009. In the second column, August 2008 is the last month which includes an amount for "Residential HEAP Billed." Explain why there are no amounts shown for the months of September and October 2008.

### **RESPONSE**

Please see the attached evaluation, as the data for the two months requested have been updated in the chart at the bottom of page 5/top of page 6 contained in the evaluation.

**WITNESS: Thomas "Kip" Bowmar**

**Kentucky Power Company  
Home Energy Assistance Program**

**Evaluation**  
for the  
2006/2007 and 2007/2008  
Program Years

March 2009

Prepared by:  
**Community Action Kentucky**

And filed jointly with:  
**Kentucky Power (American Electric Power)**

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**Executive Summary:**

- The program did a good job of helping participants who remained enrolled. The participants that withdrew from the program saw their arrearages increase, participated in the LIHEAP crisis component more frequently, had a much higher rate of disconnection, and received more cut off notices than those people who stayed in the program.
- The participants who stayed in the program had lower arrearages than those who withdrew, saw their arrearages decrease as well as their participation in the LIHEAP Crisis component.
- The late starting date of the program affected the ability to fully enroll the program for the first year. It was a program that was designed to enroll households in October and November and apply benefits for the winter heating months of December, January, February, March, as well as the summer cooling months of July, August, and September. The program was approved on Dec. 16<sup>th</sup> and then it took a couple of months to get the households enrolled. Most participant in the first year did not receive a benefit until July, so the data from the 2007-2008 program year yields the most complete picture.
- The number of participating households receiving disconnect notices began to fall in the first full year of the program in 07/08.
- The percentage of households receiving service disconnects for program participants in 06/07 was reduced by over 25% for program participants in 07/08.

**Program Creation:**

In October 2005 Kentucky Power filed for a rate increase that would increase its electric rates that would affect residential customers. Community Action Kentucky intervened in the rate case along with Kentucky Industrial Utility Customers (KIUC), and the Attorney General's Office. As part of the settlement of that case, it was agreed that a home energy assistance program for residential low income customers would be created and funded by a 10 cent per meter per month charge. This was expected to generate approximately \$175,000 per year. In addition, the company agreed to contribute \$175,000 per year for the first two years of the program for a total of \$350,000 per year for the first two years. Kentucky Power was a leader in contributing shareholder dollars to support the first two years of the program.

The program was very necessary given the fact that the poverty rate was higher in Kentucky Power's service territory than in the rest of the state. According to the US Census Bureau data from December 2008 Kentucky already has one of the higher poverty rates in the nation at 17.2%. This is 25% above the

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national average of 13%. In the Kentucky Power service territory counties the median poverty rate is 27.2%, which is nearly 60% higher than the state rate and more than 100% higher than the national rate.

**Program startup:**

The HEA program was designed to start in November of each year and run through October of the following year, benefits being distributed during the billing cycles for the winter heating months of December, January, February and March, then the Summer cooling cycles of July, August and September.

Approval for the program came from the Kentucky Public Service Commission on December 14, 2006 and the initial startup of the program began in December 2006. Participants in the Subsidy component of the Low Income Home Energy Assistance Program (LIHEAP) were electronically screened based upon their vendor usage (in this case Kentucky Power / American Electric Power) and then auto created applications. Agencies reviewed those applications and submitted to AEP to retrieve History data to build application priority. Based upon application priority, applicants were then enrolled into the program. The use of the auto-enrollment was necessary for speed of start up and it reduced the length of time required for the applicants to receive their first program benefits. However, although there is a points system in place, it reduced the ability for the staff at the Community Action Agencies to locate and enroll households who may have obtained the greatest benefit from the program- those who may have had the opportunity to leverage the benefit of multiple programs and thereby reduce their arrearages, cutoff notices or need for LIHEAP crisis. Additionally, applicants were not actually enrolled in the program until early 2007, and therefore were not able to receive the full benefits the first year. Therefore, the effects of the program are best measured by a closer examination of the 2007-2008 year because participants were better able to utilize a full year worth of benefits.

This delay, accompanied with participant withdrawal and other factors meant that the full dollar amount allocated for the first year was not completely consumed and resulted in a surplus of funding in the first year of program operation. These surplus benefits were applied to the second year in the form of additional available slots.

**Program Expenditures and Distributions**

At the end of the 06/07 Program Year \$119,329 had been distributed to the participating households. This is in contrast to the \$473,857.00 that was distributed during the 07/08 program year. The increased amount is due to the higher participation rate, and the distribution of funds during the 07/08 winter heating months that did not occur during the 06/07 winter heating months.

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2006/2007 Expenditures and Distributions

MONTH	RESIDENTIAL HEAP BILLED	KENTUCKY POWER - MATCHING COMPONENT	SUBSIDIES DISTRIBUTED	CAK ADMINISTRATIVE COSTS	MONTHLY NET TOTALS
April-06	\$7,210.40	\$7,210.40	\$0.00	\$0.00	\$14,420.80
May-06	\$14,440.39	\$14,440.39	\$0.00	(\$2,900.00)	\$25,980.78
June-06	\$14,417.73	\$14,417.73	\$0.00	(\$2,900.00)	\$25,935.46
July-06	\$14,419.43	\$14,419.43	\$0.00	\$0.00	\$28,838.86
August-06	\$14,399.95	\$14,399.95	\$0.00	\$0.00	\$28,799.90
September-06	\$14,430.91	\$14,430.91	\$0.00	\$0.00	\$28,861.82
October-06	\$14,428.36	\$14,428.36	\$0.00	\$0.00	\$28,856.72
November-06	\$14,441.02	\$14,441.02	\$0.00	\$0.00	\$28,882.04
December-06	\$14,463.47	\$14,463.47	\$0.00	\$0.00	\$28,926.94
January-07	\$14,504.03	\$14,504.03	\$0.00	\$0.00	\$29,008.06
February-07	\$14,487.04	\$14,487.04	\$0.00	\$0.00	\$28,974.08
March-07	\$14,486.67	\$14,486.67	(\$10,609.00)	\$0.00	\$18,364.34
April-07	\$14,455.34	\$14,455.34	\$1,530.00	\$0.00	\$30,440.68
May-07	\$14,413.38	\$14,413.38	\$0.00	\$0.00	\$28,826.76
June-07	\$14,404.15	\$14,404.15	(\$4,987.00)	\$0.00	\$23,821.30
July-07	\$14,381.77	\$14,381.77	(\$36,967.00)	\$0.00	(\$8,203.46)
August-07	\$14,402.29	\$14,402.29	(\$36,804.00)	\$0.00	(\$7,999.42)
September-07	\$14,427.61	\$14,427.61	(\$33,492.00)	\$0.00	(\$2,636.78)
October-07	\$14,416.48	\$14,416.48	\$0.00	(\$9,900.00)	\$18,932.96

(\$119,329.00)

2007/2008 Expenditures and Distributions

MONTH	RESIDENTIAL HEAP BILLED	KENTUCKY POWER - MATCHING COMPONENT	SUBSIDIES DISTRIBUTED	CAK ADMINISTRATIVE COSTS	MONTHLY NET TOTALS
November-07	\$14,434.98	\$14,434.98	(\$196.00)	\$0.00	\$28,673.96
December-07	\$14,457.91	\$14,457.91	(\$72,479.00)	(\$43,562.00)	(\$87,125.18)
January-08	\$14,505.59	\$14,505.59	(\$81,020.00)	\$0.00	(\$52,008.82)
February-08	\$14,465.73	\$14,465.73	(\$82,683.00)	\$0.00	(\$53,751.54)
March-08	\$14,471.95	\$14,471.95	(\$82,686.00)	\$0.00	(\$53,742.10)
April-08	\$14,449.48	\$0.00	\$0.00	\$0.00	\$14,449.48
May-08	\$14,408.46	\$0.00	\$0.00	\$0.00	\$14,408.46
June-08	\$14,399.49	\$0.00	\$0.00	\$0.00	\$14,399.49

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July-08	\$14,409.39	\$0.00	(\$78,031.00)	(\$6,169.00)	(\$69,790.61)
August-08	\$14,404.40	\$0.00	(\$76,762.00)	\$0.00	(\$62,357.60)
September-08	\$14,403.42	\$0.00	(75,623.00)	\$15,700	(\$45,519.58)
October-08	\$14,397.37	\$0.00	\$0.00	\$0.00	\$14,397.37

(\$549,480.00)

### Evaluation Data

Several Data Sources were used in the development of this report. :

1: American Electric Power provided data relevant to:

- The number of cutoff notices per account number
- The number of disconnect notices per account number
- The arrearages per account number
- HEA enrollment data per account
- Program slot usage
- Benefits provided
- Budget and financial Data
- Data from other relevant programs

2: Community Action Kentucky was a source for:

- Client intake and demographics
- LIHEAP data
- Income data
- Weatherization data
- Budget and Financial Data

**Program Enrollment**

Applicants are enrolled into the Program by the CAA's. During LIHEAP Subsidy, the applicant's information is updated and recorded, and a Vendor Program application is completed in the CAK CASTINET software system. Within 24 hours the software system sends request file to AEP for a 12 month usage history. When the history file is returned, the system will generate a point ranking for the application. This point scale will be used as the basis for the priority system of enrollment to fill the slot allocations. Once all slots are filled, the remaining applications are placed in priority order on a waitlist, were they remain until a slot becomes available should an enrollee become rejected or un-enrolled.

The point calculation works as in a way similar to the point system used for determining need in weatherization.

Demographic Point Calculation
Number of Disabled in household __ X 5 = points
Number of Children under 6 years of age __ X 5 = points
Single Elderly and/or single disabled __ X 5 = points
Total Family members __ X 1 = points

Income Point Calculation
100-150% of Poverty Level = 1 Point
75%-99% of Poverty Level = 2 Points
<75% of Poverty = 3 Points

Primary Fuel Type Points
Electric = 8 Points
Propane = 6 Points
Oil = 4 Points
Gas = 3 Points
Coal = 2 Points
Wood = 4 Points

### Fuel Cost Points

Annualize the last 12 months of kWhs and multiply by the price per kWh. This is divided by the annual income and a lookup on the following table is performed. The 06/07 program year was calculated at .063 per kWh and the 07/08 was calculated at .0673 per kWh.

Percent of Poverty Calculation
0-5% - 2 points
6-14% - 4 points
15-21% - 6 points
22-28% - 8 points
29-33% - 10 points
>34% - 15 points
Zero Income - 15 Points

All points from the above categories are totaled to create the priority points assigned to an application.

### Waitlist

Applicants who are not immediately selected for enrollment are placed on a waitlist. These applications are applied to open slots based upon their priority points. CAA's typically enroll more applicants than the number of available slots so that there are applicants available on the waitlist.

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**Program Enrollment Slots**

Program Slots allocated for the 2006/2007 Year

Agency	Enrolled slots	
	Electric	Base Load
Big Sandy	178	22
Gateway	6	2
LKLP	112	33
Middle KY	17	15
Northeast	106	57
	419	129
<b>Total</b>	<b>548</b>	

Agency	Enrolled Slots	
	Electric	Base Load
Northeast	257	148
Middle KY	38	37
Gateway	16	5
LKLP	273	85
Big Sandy	402	109
	986	384
<b>Total</b>	<b>1370</b>	

**Impact on Arrearages**

For households participating and remaining in the program overall arrearages for the group decreased six percent as the average arrearage per household decreased from \$410 to \$390.05



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This compares to the households that withdrew from the program whose average arrearages increased by over 25%, going from an average of \$612.10 to \$765.75

Comparing arrearages of participants who stayed in program versus those who left

	Increase/decrease of arrearages	Average Begin	Average End
Enrolled	6% reduction	\$410.00	\$390.05
Withdrew	25% increase	\$612.10	\$765.75

**Summary :**

Overall arrearages decrease for those households that stayed in the program saw their arrearages decrease by 6%, while those dropped from the program increased by 25%, saving significant dollars for the company and the rate payers by reducing the possibility of bad debt.

It should be noted that some HEA type programs place a cap on the amount of arrearages that a household can have prior to program entry. The HEA program operated by Louisville Gas and Electric for example requires that participants have no more than \$700 in arrearages to be eligible. The Kentucky Power Program has no such restriction, and allows participants to enter with significant arrearages already in place. It may be difficult for these individuals to pay down these arrearages, and should be considered if comparing the performance of the Kentucky Power HEA program against the performance of other programs.

**Impact on Disconnect Notices:**

The households that remained in the program saw a lower in

	Average number of disconnects Notices per 12 months
Enrolled	2.52
Withdrew	3.50

While the enrolled households did see a slight increase in their number of disconnects going from 2.39 per household per year to 2.52 per household per year, an increase of 6%, this is still much lower than the households that withdrew who saw their number of disconnects go from 2.80 to 3.50. The

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households that with drew receive on average 40% more disconnect notices a year and saw their rate of receiving disconnect notices increase by 25%.

**Summary:**

The number of disconnect notices did slightly increase for households that remained in the program, but their outcomes were much better than households who withdrew from the program as those households saw their rate of disconnect notices increase by 25% as opposed to 6% for those who remained in the program. In addition enrolled households receive 40% fewer disconnect notices than those left the program.

**Impact on Service Disconnects:**

For the households that remained in the program, they saw a much lower disconnect rate than those remained enrolled in the program.

Improving:	Disconnect rate
Enrolled	8.7%
Withdrew	30%

This shows that households who were able to remain in the program had a disconnect rate that was nearly 75% less than the households who left the program. The households that remained in the program did see a slight increase in their disconnect rate, going 8% to 8.7%, but it remained far lower than the households that left the program.

**Impact on the LIHEAP Crisis Assistance**

Because of the late start in the 06/07 year, program participants did not receive benefits until March 2006, after the LIHEAP crisis funds had been expended. This meant that the need for LIHEAP crisis in 2006 and 2007 was not impacted by participation in the 06/07 program year. The first LIHEAP crisis program where any measurable result would have been noted would have been the 2008 Crisis program year.

**Impact on Participant households receiving LIHEAP Crisis**

Of participants in the 06/07 program year, the data indicate a drop in the number of households that participated in LIHEAP crisis 2008 – the first measurable year after their enrollment. Data indicate that participants reduced LIHEAP Crisis participation rates from 33% and 44% in 2006

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and 2007 to a rate of 23% in 2008. Those 06/07 participants moved from 56% without crisis in 2007 to 77% of households without crisis in 2008.

	CRISIS2006	CRISIS2007	CRISIS2008
Received Crisis	275	345	183
%	35%	44%	23%
Without Crisis	513	443	605
%	65%	56%	77%

Of participants in the 07/08 program year, the data indicate a drop in LIHEAP crisis participation as well. HEA participation rates in LIHEAP crisis fell from a rate of 40% in 2006 and 48% in 2007 down to a rate of 30% in 2008. In 2008, 70% of participating households were without LIHEAP crisis.

	CRISIS2006	CRISIS2007	CRISIS2008
Received Crisis	605	726	462
%	40%	48%	30%
Without Crisis	910	789	1053
%	60%	52%	70%

### Impact on Number of LIHEAP Crisis Applications

For participants of the 06/07 program year, these applicants applied for and received LIHEAP Crisis assistance 384 times in the 2006 season, and 437 for the 2007 LIHEAP Crisis program year. However, during the 2008 LIHEAP crisis program year, Crisis applications for the 06/07 program participants fell to 202, a 53% reduction in the need for LIHEAP crisis.

06/07 Program Participants		
CRISIS 2006	CRISIS 2007	CRISIS 2008
384	437	202

As for participants in the 07/08 program year, it will be important to evaluate the need for LIHEAP crisis in the year following – ie 2009. At the time of this document preparation the 2009 LIHEAP crisis program is still ongoing it is not possible to evaluate the entire 2009 Crisis data set. However, the program participants did receive benefits as early as December 2007 and January 2008 through March 2008, and the data indicate that their use of LIHEAP crisis during this time fell by as much as 46%.

07/08 Program Participants		
CRISIS 2006	CRISIS 2007	CRISIS 2008
838	958	517

In both of these program years, it is important to note that participants may have sought LIHEAP Crisis benefits for fuel other than electricity. Although the HEA program would have only reduced the electricity fuel cost, the participant would have likely been in a better position to apply funds toward another fuel source instead- still reducing the need for crisis. Also, the 2008 LIHEAP Crisis participants were faced with unusually high increases in fuel costs among kerosene, propane, natural gas and other fuels.

#### Summary:

The data does indicate that participating households in both the 06/07 and 07/08 years reduced their use of LIHEAP Crisis in 2008. Because 06/07 participants did not receive benefits until after the 2007 LIHEAP Crisis program had there would be no expected benefit seen in the data for until the 2008 crisis year.

### Movement of Participants into and out of Program

During the time period evaluated, more people joined the program than left the program. The single largest factor affecting the enrollment and disenrollment of participants has been the increase in number of slots. The surplus of funds and resulting increase in enrollment slots that were available after the 06/07 program year led to an increase of slot availability for the 07/08 year. Therefore actual enrollment increased from 548 in 06/07 to 1370 in 07/08.

In cases where applicants were enrolled for any amount of time and then left the program there is a direct impact seen in the data. Program participants who withdrew from the program were 20% more likely to participate in LIHEAP Crisis, with a rate of 36% for those who withdrew versus 30% for those remaining in the program.

Group	Service Type	Rate of LIHEAP Crisis
All	Baseload & Electric	30%
Withdrawn	Baseload & Electric	36%

Similar difference is seen in the data when looking at the All Electric participants. Those that withdrew from the program had a 24% higher rate of applying for LIHEAP Crisis, with a rate of 36% for those that withdrew and 29% for those that remained in the program.

Group	Service Type	Rate of LIHEAP Crisis
All	Electric	29%
Withdrawn	Electric	36%

In the case where an enrollment slot became open, it was often for one of the following reasons:

- Participant may move outside the service area
- No longer income eligible
- Participant may opt to leave the program
- Change in the status of the participant such as marriage, divorce, etc.

### Impact of Weatherization

Of participants in the 06/07 and 07/07 years, there were identified 82 that had received weatherization services. Of those, only 31 had not been in time to have accumulated 12 months of usage data that would have allowed for an accurate analysis. The small incomplete data set, accompanied by the

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variability of factors such as weather variability over the short measurement period indicated that we should consider larger impact studies to evaluate the cost savings of weatherization. Because of these factors, it is difficult to directly relate cost savings in a single 12 month period to the performance of the HEA program.

In June of 2007, RLW Analytics, Inc. of Clark Lake, Michigan developed a report for American Electric Power titled "Targeted Energy Efficiency Program 2006-2007 Load Impact Evaluation Report". In the report, it provides a detailed analysis of the cost savings estimates of weatherization programs for Kentucky Power Customers.

Based upon that report, the annual mean savings for the all-electric and non-all-electric participants were 2,032 kWh and 1,136 kWh respectively. Using the current rate of .06475, we expect that the average All Electric household will achieve an estimated annual savings of \$131.57 per year, and the non-all electric household will achieve an estimated annual savings of \$73.56 per year.

Type	kWh Annually	Rate	Household Annual Savings
All Electric	2032	0.06475	\$131.57
Non-All Electric	1136	0.06475	\$73.56

### Recommendations

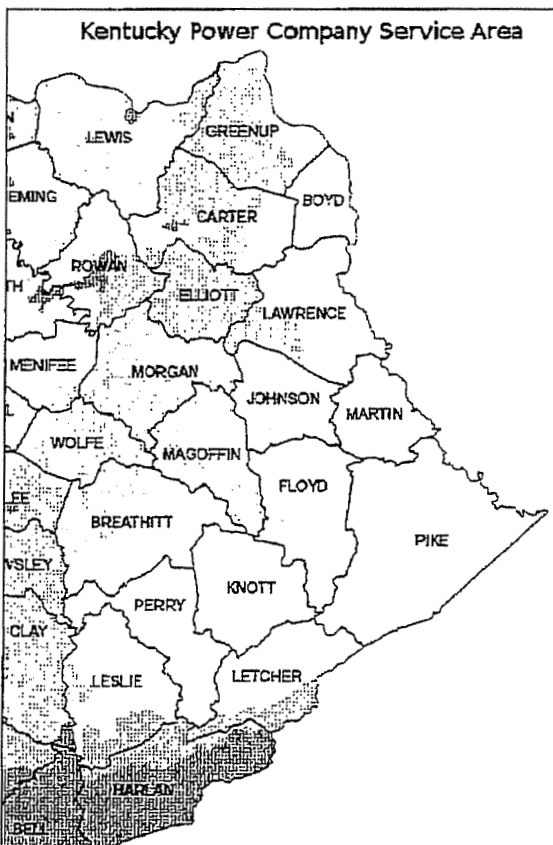
- Continue the program so that participants can continue to reduce improve their arrearages and reduce their service disconnects and need for LIHEAP crisis.
- Kentucky Power could improve the reporting system by sending the monthly distributions automatically via the secure electronic channel in place between CAK and Kentucky Power.
- Team program participants with CAA services such as budget counseling to assist with financial planning to reduce arrearages.
- Work with HEA participants to improve the weatherization participation rate to reduce energy consumption.

Kentucky Power Company / Community Action Kentucky  
Home Energy Assistance Program Evaluation

## Appendix 1

### Kentucky Power Service Area

American Electric Power operates the HEA program under Kentucky Power in the following Kentucky Counties:



- Boyd
- Breathitt
- Carter
- Elliott
- Floyd
- Greenup
- Johnson
- Knott
- Lawrence
- Leslie
- Letcher
- Magoffin
- Martin
- Morgan
- Owsley
- Perry
- Pike
- Rowan

(Map image credit: KY Public Service Commission)

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**Poverty Rates in the Program Service Area**

Source: U.S. Census Bureau, Small Area Estimates Branch  
 Release date: December 2008

**Poverty by age-groups, children under 18:**

Name	Poverty Estimate All Ages	Poverty Percent All Ages	Poverty Estimate Under Age 18	Name	Poverty Percent Under Age 18	Poverty Percent Ages 5-17
United States	38,052,247	13.0	13,097,100	United States	18.0	16.4
Kentucky	706,947	17.2	231,398	Kentucky	23.6	21.2
Kentucky Counties:						
Boyd County	7,627	16.4	2,358	Boyd County	23.6	21.6
Breathitt County	4,564	30.0	1,512	Breathitt County	45.3	42.0
Carter County	5,164	19.3	1,847	Carter County	29.1	28.0
Elliott County	1,932	27.4	576	Elliott County	37.9	33.5
Floyd County	13,487	32.9	4,062	Floyd County	44.4	41.2
Greenup County	5,571	15.2	1,757	Greenup County	22.5	20.8
Johnson County	5,780	24.4	1,737	Johnson County	32.8	30.5
Knott County	5,324	31.7	1,397	Knott County	39.5	33.2
Lawrence County	4,103	25.3	1,247	Lawrence County	34.6	30.8
Leslie County	3,608	31.0	937	Leslie County	37.4	35.4
Letcher County	6,408	27.0	1,781	Letcher County	35.3	34.5
Magoffin County	4,092	31.6	1,359	Magoffin County	43.7	40.9
Martin County	4,145	35.8	1,289	Martin County	45.5	41.7
Morgan County	3,351	27.1	1,021	Morgan County	36.8	32.4
Owsley County	2,002	44.4	552	Owsley County	55.0	54.5
Perry County	9,045	31.4	3,138	Perry County	47.2	42.1
Pike County	13,406	20.8	3,707	Pike County	26.6	24.9
Rowan County	4,774	24.5	1,223	Rowan County	28.7	24.5



## Community Action Agencies Participating in Program

### Northeast Kentucky Community Action Agency

539 Hitchins Avenue  
Olive Hill, KY 41164  
606/286-4443  
Fax: 606/286-6733

Website [www.nkcaa.net](http://www.nkcaa.net)

COUNTY: BOYD  
1844 Carter Avenue  
Ashland, KY  
606-324-8617

COUNTY: CARTER  
539 Hitchins Avenue  
Olive Hill, KY  
606-286-4443

COUNTY: CARTER  
603 West Main Street  
Grayson, KY  
606-474-8118

COUNTY: ELLIOTT  
103 Gee Street  
Sandy Hook, KY  
606-738-6577

COUNTY: GREENUP  
811 Seaton Avenue, Suite A  
Greenup, KY  
606-473-9873

COUNTY: LAWRENCE  
180 Bulldog Lane  
Louisa, KY  
606-638-4067

Kentucky Power Company / Community Action Kentucky  
Home Energy Assistance Program Evaluation

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**Gateway Community Services Organization**

124 College Street,  
P.O. Box 367  
West Liberty, KY 41472  
606/743-3133  
Fax: 606/743-1130

COUNTY: MORGAN  
124 College St.  
West Liberty, KY  
606-743-3133

COUNTY: ROWAN  
136 Lee Avenue Suite E  
Morehead, KY  
606-784-7735

**Big Sandy Area Community Action Program**

Johnson County Courthouse  
230 Court Street  
Paintsville, KY 41240  
606/789-3641  
Fax: 606/789-8344

COUNTY: FLOYD  
193 East Court Street  
Prestonburg, KY  
606-886-2929

COUNTY: JOHNSON  
Johnson Co. Court House  
3rd Floor, Room 333  
Paintsville, KY  
  
606-789-6515

COUNTY: MAGOFFIN  
131 South Church St.

Kentucky Power Company / Community Action Kentucky  
Home Energy Assistance Program Evaluation

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Salyersville, KY  
606-349-2217

COUNTY: MARTIN  
Roy F. Collier Community Center  
1200 Main Street  
Inez, KY  
606-298-3217

COUNTY: PIKE  
478 Town Mt. Road  
Pikeville, KY  
606-432-2775

**Middle Kentucky Community Action Partnership**

1137 Main Street, Suite 106  
Breathitt County Courthouse  
Jackson, KY 41339  
606/666-2452  
Fax: 606/666-9780

Website: [www.mkcap.org](http://www.mkcap.org)

COUNTY: BREATHITT  
1137 Main Street, Suite 103  
Jackson, KY  
606-666-5902

COUNTY: OWSLEY  
County Courthouse  
Room 104, Main Street  
Booneville, KY  
606-593-5103

**LKLP Community Action Council**

398 Roy Campbell Drive  
Hazard, KY 41701  
606/435-7996  
Fax: 606/487-1872

Kentucky Power Company / Community Action Kentucky  
Home Energy Assistance Program Evaluation

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Website [www.lklp.org](http://www.lklp.org)

KNOTT  
125 West Main St.  
Hindman, KY  
606-785-3322

LESLIE  
121 Maple Street  
Hyden, KY  
606-672-2155

LETCHER  
2 Main Street  
Whitesburg, KY  
606-633-4458

PERRY  
14 Logan Dr.  
Jeff, KY  
606-439-1362



## Kentucky Power Company

### REQUEST

Refer to the July 28, 2006 Agreement ("Agreement") filed in Case No. 2006-00373 by Kentucky Power and CAK (formerly Kentucky Association for Community Action, Inc.), Section II, Paragraph A, which states that the costs incurred by CAK to administer the HEAP would not exceed 10 percent of the HEAP funds collected during the life of the program, and to the tables on page 5 of the Report.

- a. Explain whether "funds collected during the life of the program" is meant to include the amounts contributed by Kentucky Power.
- b. The tables reflect total administrative costs for CAK from April 2006 through July 2008 of \$65,431, with expenditures totaling this amount reported in five specific months. Provide descriptions of the specific expenditures made in May 2006, June 2006, October 2007, December 2007, and July 2008.

### RESPONSE

(a) Yes. The term "funds collected during the life of the program" was intended by the parties to the agreement to include the amounts contributed by Kentucky Power. The parties to the agreement sought to make their intent clear through use of the adjective "total" in describing the funds available for use in reimbursing the Kentucky Association for Community Action, Inc. (n/k/a Community Action Kentucky, Inc. or CAK): "KACA is entitled to recover its actual operating expenses in administering the HEA program in an amount up to but not to exceed in total ten percent (10%) of the **total** HEA funds collected during the life of the program." Application, Exhibit 1, *In the Matter of: The Joint Application of Kentucky Power Company and Kentucky Association for Community Action, Inc. for the Establishment of a Home Energy Assistance Program*, Case No. 2006-00343 at ¶ II(A) (emphasis supplied.)

The parties' intent is further illustrated in the supporting exhibits to the Joint Application for approval of the agreement. Line 8 of Exhibit 3 calculates an annual administrative fee of \$34,802 for each of the first two years of the program. The fee is calculated on annual revenues of \$174,012 and a company match of an equal amount ( $[\$174,012 + \$174,012] \times 10\% = \$34,802$ ). Beginning in year three, when Kentucky Power's match is eliminated, the projected amount of administrative fee illustrated on Exhibit 3 correspondingly was reduced to \$17,401 ( $\$174,012 \times 10\%$ ).

(b) The administrative work was performed in every month, but the five specific months reflected in the tables were the months in which CAK billed Kentucky Power for the administrative expenses. The largest administrative expense was intake fees for the local Community Action Agencies. The local Agencies received \$25 per completed new enrollment and \$15 per each renewal. This includes reimbursement for contacting the client, follow up, communication with the company, and other tasks. From the CAK end, the administrative costs were for staff time associated with a variety of tasks including but not limited to: keeping up the programming of CASTinet (the software system used in the program), providing assistance to the agencies, compiling the invoices from the five agencies into one invoice for the company, writing, drafting, and completing the program evaluation, attending meetings of the Kentucky Power collaborative, working with the company to keep the program fully enrolled, working with the outside auditor to ensure the funds were properly accounted for, and answering phone calls from clients with questions about the program.

**WITNESS: 2A - Errol K Wagner**  
**2B - Thomas "Kip" Bowmar**





## **Kentucky Power Company**

### **REQUEST**

Refer to the tables on page 5 of the Report, which show that Kentucky Power matched the HEAP funds collected from its customers for the 24 months ending March of 2008, and to pages 6-9 of the Commission's March 14, 2006 Order in Case No. 2005-00341.

a. In its March 14, 2006 Order, the Commission said that it "applauds Kentucky Power's decision to contribute shareholder funds to match the ratepayer funding for the HEAP account for the first 2 years of the program." The Order went on to say that the "Commission encourages Kentucky Power to continue its shareholder match of ratepayer HEA funds beyond the first 2 years of the program." Describe, in detail, the extent of discussions between CAK and Kentucky Power concerning whether Kentucky Power would consider continuing to contribute matching funds after the first two years of the program.

b. Explain why, with annual revenues of \$600 million and net income of \$30 million, on average, for the past three calendar years, Kentucky Power chose not to continue its \$175,000 shareholder match beyond the first two years of the program.

### **RESPONSE**

(a) For the reasons set forth in the response to Item 3(b), Kentucky Power conducted no discussions with CAK concerning continuation of Kentucky Power's contributions following the first two years of the program. CAK is very appreciative of the two year commitment of funding made by Kentucky Power to the Home Energy Assistance Program, and encourages Kentucky Power in the future to again consider contributions to the Program.

(b) Kentucky Power regularly contributes to the communities in its service territory. For example, during the past three calendar years Kentucky Power contributed to Ashland Community College, Challenger Learning Center, Foundation for the Tri-State, Hazard Community & Technical College, Kentucky River Area, Paramount Arts Center, Pikeville College, Leadership Kentucky Foundation, Ashland Summer Motion, KCTCS Foundation, Big Sandy College Education Foundation, Kentucky Chamber of Commerce, Boys & Girls Club,

Kentucky Educational Television, and the Highlands Foundation. The cost of these contributions is borne solely by Kentucky Power's shareholder, American Electric Power Company, Inc. *See, South Central Telephone Company v. Public Service Commission*, 702 S.W.2d 447, 452 (Ky. App. 1985). Further, the funds available in any year for contributions are limited. Thus, an increase in contributions to one recipient typically means a reduction or elimination of contributions to other recipients. Kentucky Power's home energy assistance program matching contributions were in addition to its regular contributions and thus were for a limited period.

As part of its February 6, 2006 Settlement Agreement with the Attorney General, Kentucky Industrial Utility Customers, Inc., Kentucky Association for Community Action, Inc. and Kentucky Cable Telecommunications Association in *In the Matter of: General Adjustment in Electric Rates of Kentucky Power Company*, Case No. 2005-00341 ("2005 Rate Case"), Kentucky Power agreed to match for two years the funding provided by the \$0.10 per month monthly line item on residential bills used to fund the Home Energy Assistance Program. Settlement Agreement, 2005 Rate Case at ¶ 8. The Company intended its two-year contribution to "jump-start" the program, and also as a means of helping the community action agencies administering the program defray their start-up costs. At the time of its commitment, Kentucky Power was one of the few, if not the only, electric utility in the Commonwealth making such contributions.

Kentucky Power appreciates and respects the commendation contained in the Commission's March 14, 2006 Order approving the Settlement Agreement in its 2005 Rate Case. Nevertheless, the Company was candid in the agreement concerning the extent of the obligation it was undertaking: "The Company shall have no further obligation following the two (2) year contribution period." Settlement Agreement, 2005 Rate Case at ¶ 8. The problems presented by the inability of some Kentucky Power ratepayers to meet their energy bills are larger than the resources the Company and the Commission reasonably can commit to them, and are more fairly and efficiently addressed through broadly-based social programs. Kentucky Power is willing to work with the Commission and its staff to address these broader, society-wide issues.

Finally, the data request seeks to link the Company's revenues and earnings to the continuation of the contributions beyond the two-year period agreed to by the parties to the Settlement Agreement: "Explain why, with annual revenues of \$600 million and net income of \$30 million, on average, for the past three calendar years...." As explained above, the Company respectfully believes the premise of the question ignores Kentucky Power's other charitable contributions. In addition, to the extent such considerations are relevant; the Company notes that the rate of return on equity imputed in the Settlement Agreement by the Commission was 10.5%:

“Therefore, the Commission finds that the weighted average cost of capital for the Kentucky Power component of the current period revenue requirement should be determined using ... a rate of return on equity of 10.5 percent as stated in the Settlement Agreement.” Order, 2005 Rate Case at 14. For the three calendar years ended since the Commission’s March 14, 2006 Order the Company has yet to earn the imputed rate of return on equity:

<u>Twelve Month Period Ending</u>	<u>KPCo's Rate of Return on Equity</u>
December 31, 2006	9.73%
December 31, 2007	8.67%
December 31, 2008	<u>6.14%</u>
Average	8.18%

**WITNESS: Errol K Wagner**



## **Kentucky Power Company**

### **REQUEST**

Refer to the Agreement, Section III, Paragraph B, which states that an annual audit will be performed that will include a detailed accounting of all expenses associated with the administration of the program and which will be filed with Commission.

- a. Explain whether these annual audits have been performed and whether they have been filed with the Commission.
- b. If the audits have been filed with the Commission, provide the case number(s) under which they were filed and the dates they were filed. If the audits have not been filed with the Commission, (1) explain why they were not filed as called for in the Agreement and (2) provide copies of the audits in response to this request.

### **RESPONSE**

(a) and (b) The audits were performed for the fiscal year ending June 30, 2007 and the fiscal year ending June 30, 2008. The audits are completed within six months of the close of the fiscal year (December 31) and then are mailed to funding sources. CAK reasonably believes that the audits for both years were sent to the Commission; however, CAK failed to cite the case number or develop a specific cover letter explaining in which case the audits should be filed. As a result, CAK is unable to verify that the audits were actually sent to the Commission. CAK apologizes for the inconvenience caused the parties and the Commission. Attached please find a copy of each audit (Attachment A - June 30, 2007 and Attachment B - June 30, 2008). In the future, including the audit for fiscal year 2009, which will be available in January, 2010, the mistake will be corrected.

**WITNESS: Thomas "Kip" Bowmar**

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.

COMPREHENSIVE AUDIT REPORT

June 30, 2007

LARRY T. WILLIAMS  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 4139  
FRANKFORD, KENTUCKY 40604

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
COMPREHENSIVE AUDIT REPORT  
June 30, 2007

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Frankfort, KY 40604

Telephone (502) 352-2800

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## INDEPENDENT AUDITOR'S REPORT

Kentucky Association for Community Action, Inc.  
Frankfort, Kentucky

We have audited the accompanying combined statement of financial position of the Kentucky Association for Community Action, Inc. as of June 30, 2007 and the related combined statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Association for Community Action, Inc. as of June 30, 2007 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the subgrantee financial statements of the LIHEAP & Weatherization Program Grants for the year ended June 30, 2007. Those sub-grantee statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it is related to the amounts included for the subgrantee LIHEAP & Weatherization Program Grants, is based solely on the report of the other auditors. However, we have examined the LIHEAP & Weatherization Program Grant records of Kentucky Association for Community Action, Inc. and reconciled those records to the audit reports furnished to us.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky Association for Community Action, Inc. as of June 30, 2007 and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 28, 2007 on our consideration of Kentucky Association for Community Action, Inc.'s internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with Government Auditing Standards, and in considering the results of the audit, should be read along with the auditor's report on the financial statements.

This audit has been performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and supplemental schedules on pages 12 through 38 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*L. J. Williams, CPA*

December 28, 2007

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 COMBINED STATEMENT OF FINANCIAL POSITION  
 June 30, 2007

ASSETS		
CURRENT ASSETS		
Cash in Bank	\$ 276,141	
Receivables		
Subrecipients	63,948	
Funding Sources	1,602,873	
Housing Loans	39,867	
Notes Receivable	62,407	
Prepaid Expenses	<u>6,167</u>	
Total Current Assets		\$ 2,051,403
OTHER ASSETS		
Investments	878,371	
Notes Receivable – Non Current	<u>404,020</u>	
Total Other Assets		1,282,391
PLANT, PROPERTY AND EQUIPMENT		
Property and Equipment	925,657	
Accumulated Depreciation	<u>(128,500)</u>	
Net Property, Plant and Equipment		<u>797,157</u>
TOTAL ASSETS		<u><u>\$ 4,130,951</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 65,652	
Accrued Salaries	17,968	
Accrued Annual Leave	89,168	
Notes Payable	50,589	
Due to Subrecipients	<u>1,530,470</u>	
Total Current Liabilities		1,753,847
OTHER LIABILITIES		
Notes Payable – Non Current	<u>300,567</u>	
Total Other Liabilities		300,567
NET ASSETS		
Unrestricted	2,074,365	
Temporarily Restricted/Restricted	<u>2,172</u>	
Total Net Assets		<u>2,076,537</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 4,130,951</u></u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 COMBINED STATEMENT OF ACTIVITY  
 For the Year Ended June 30, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED/ RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>			
Support			
Federal/State Funds	\$ 368,053	\$ 44,725,040	\$ 45,093,093
Total Support	368,053	44,725,040	45,093,093
Revenue			
Rental Income	15,000	-	15,000
Interest Income – Client	3,352	-	3,352
Interest Income – Investment	9,918	-	9,918
Dues	17,755	-	17,755
Commission	155,363	-	155,363
Other Income	20,672	78,879	99,551
Unrecognized Gain on Investments	109,609	-	109,609
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	44,848,606	(44,848,606)	-
Total Revenue	45,180,275	(44,769,727)	410,548
<b>TOTAL SUPPORT AND REVENUE</b>	45,548,328	(44,687)	45,503,641
<b>EXPENDITURES</b>			
Program Services	1,118,187		1,118,187
Management & General	143,736		143,736
Payments to Subrecipients	44,087,405		44,087,405
<b>TOTAL EXPENDITURES</b>	45,349,328	-	45,349,328
Change in Net Assets	199,000	(44,687)	154,313
Transfer of Funds	(16,903)	16,903	-
Net Assets, Beginning of Year	1,892,268	29,956	1,922,224
<b>NET ASSETS, END OF YEAR</b>	\$ 2,074,365	\$ 2,172	\$ 2,076,537

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 For the Year Ended June 30, 2007

	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL
Salaries	\$ 535,226	\$ 29,141	\$ 564,367
Fringe Benefits	174,300	9,522	183,822
Professional Services	9,470	9,688	19,158
Consultants	92,796	5,579	98,375
Education	7,534	3,176	10,710
Travel	50,864	13,291	64,155
Meeting Expense	25,809	30,847	56,656
Telephone	20,196	1,000	21,196
Postage	3,872	804	4,676
Rent	3,500	-	3,500
Supplies	39,790	2,331	42,121
Publications and Subscriptions	5,447	1,832	7,279
Dues/Fees	711	4,950	5,661
Insurance	96,951	1,523	98,474
Printing	8,075	194	8,269
Advertising	1,082	152	1,234
Utilities	4,306	216	4,522
Repairs & Maintenance	16,554	1,821	18,375
Depreciation	18,269	5,691	23,960
Marketing	-	21,000	21,000
Interest Expense	3,435	-	3,435
Other Expenditures	-	978	978
	<u>\$ 1,118,187</u>	<u>\$ 143,736</u>	<u>\$ 1,261,923</u>
Total Expenditures			

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2007

CASH FLOW USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 154,313	
Depreciation	23,960	
Adjustments to reconcile change in net assets to net cash used for operating activities:		
(Increase)Decrease in Receivables	(620,179)	
(Increase)Decrease in Prepaid Expenses	(1,689)	
Increase(Decrease) in Accounts Payable	54,059	
Increase(Decrease) in Accrued Salaries	(4,241)	
Increase(Decrease) in Accrued Vacation Pay	3,288	
Increase(Decrease) in Due to Subrecipients	674,734	
Increase(Decrease) in Notes Payable	<u>(519)</u>	
Net Cash Used by Operating Activities		\$ 283,726
CASH FLOWS USED BY INVESTING ACTIVITIES		
Net (Purchases)/Disposals of Capital Assets	(9,300)	
Net (Purchases)/Disposals of Investments	<u>(225,685)</u>	
Net Cash Used by Investing Activities		<u>(234,985)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		48,741
Cash and Cash Equivalents – June 30, 2006		<u>227,400</u>
Cash and Cash Equivalents – June 30, 2007		<u>\$ 276,141</u>

\*The Association considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

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

NOTE 1 – HISTORY OF ASSOCIATION

The Kentucky Association for Community Action, Inc. is a multi-funded association for the twenty-three (23) Community Action Agencies in Kentucky. The Association was formed in 1968 to provide a link between the Community Action Agencies to better accomplish mutual goals and objectives. The responsibilities of the Association include the development and administration of grants and contracts providing services in areas such as housing, water/waste water management, crisis intervention, and low-income home improvements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Kentucky Association for Community Action, Inc. maintains their records on the accrual basis of accounting. This conforms to accounting principles generally accepted in the United States of America.

NOTE 3 – PROGRAM DESCRIPTIONS

1. LOW INCOME HOME ENERGY ASSISTANCE – Benefit Component

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance for the following services:

- A. Fuel
- B. Heaters
- C. Blankets
- D. and/or Sleeping Bags
- E. Vouchers to purchase these items or the repair of the heating system as necessary to alleviate the crisis are provided to eligible low-income households.

Kentucky Association for Community Action, Inc. has delegate agreements to administer the LIHEAP Grant through twenty-three (23) affiliated Community Action Agencies subcontracted to implement the Crisis Component.

2. LOW INCOME HOME ENERGY ASSISTANCE PROGRAM – Administration Grant

The LIHEAP Administration Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance to perform administrative tasks necessary for the development of the Benefits Component.

3. DEMAND SIDE MANAGEMENT PROGRAM

The DSM Grant is provided by the Cabinet for Health and Family Services to engage in leveraging activities known as DSM. The grant is part of the LIHEAP contract, but the services provided are different. Kentucky Association for Community Action, Inc. provides technical assistance to ongoing utility funded partnerships with Weatherization agencies and works toward the creation of other new programs. Kentucky Association for Community Action, Inc. also holds quarterly meetings to allow those involved in DSM to come together and exchange information and ideas. Kentucky Association for Community Action, Inc. also tracks federal and state legislation that affect utility industry restructuring and how that would affect DSM programs in Kentucky.

4. WATER AND WASTEWATER PROGRAM (RCAP)

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The W.S.O.S. Community Action Commission, Inc., sponsor for the Great Lakes Rural Network, Inc., has contracted with Kentucky Association for Community Action, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

5. COMMUNITY SERVICES BLOCK GRANT PROGRAM (OPE)

The OPE Grant is provided by the Office for Performance Enhancement to help with the implementation of outcome based measures and to provide technical assistance on this subject to local Community Action Agencies. Kentucky Association for Community Action, Inc. helps coordinate training, develop forms, and helps agencies as they transition to outcome based measures with their CSBG programs.

6. HEAD START GRANTEE UNEMPLOYMENT INSURANCE TRUST

Kentucky Association for Community Action, Inc. provides staff support to the Kentucky Head Start Grantees Unemployment Insurance Trust for a fee of \$250 a month. The Trust is composed of nine Head Start Grantees, eight of which are Community Action Agencies. Trust members pay a percentage of their payroll into an individual account under the Trust umbrella, which is responsible for paying unemployment claims. Kentucky Association for Community Action, Inc. plans Trust meetings (usually 4 to 6 a year), takes minutes, sends out meeting announcements, works with the Trust's legal counsel and investment portfolio manager, and handles other administrative tasks for the Trust. Kentucky Association for Community Action, Inc. began providing the service in 1996-1997.

NOTE 3 – PROGRAM DESCRIPTIONS (Continued)

7. HOUSING PROGRAM

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent and sanitary family dwellings in the Commonwealth of Kentucky.

8. COMPASSION CAPITAL FUND

Compassion Capital Fund was a three-year pilot program funded by the Dept. for Health & Human Services to build the capacity of small community -based organizations to achieve results. The three-year program ended on September 30, 2006, and helped over 200 small non-profit organizations in eastern Kentucky. KACA partnered with Foothills CAP in Richmond, who was the actual grantee, and worked with five other Community Action Agencies in Eastern Kentucky on this program.

9. KU Energy Assistance Program

KACA, in conjunction with Community Action Council, operates an energy assistance program that helps approximately 1,300 households with a subsidy benefit for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Utilities.

10. AEP

KACA, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps approximately 800 households with a subsidy benefits for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Power/AEP.

NOTE 4 – CASH IN BANK

At June 30, 2007 cash in bank totaled \$276,141 consisting of the following accounts:

Cash in Farmers Bank – Checking	\$ 98,872
Cash in Hilliard & Lyons – Money Market Accounts	<u>177,269</u>
 Total	 <u>\$ 276,141</u>

NOTE 5 – ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE – SUBRECIPIENTS AND FUNDING SOURCES

Agencies owe KACA	<u>\$ 63,948</u>
A/R Subrecipients	<u>\$ 63,948</u>
 CHFS owes KACA (M-01607251)	 \$ 442,395
CHFS owes KACA (M-01607251)	878,644
CHFS owes KACA (M-01607251)	61,325
CHFS owes KACA (M-01607251)	92,435
UI Trust owes KACA	750
WSOS owes KACA	102,005
KU owes KACA	<u>25,319</u>
 A/R Funding Sources	 <u>\$ 1,602,873</u>
 KACA owes Agencies	 \$ 1,530,470
 Due to Subrecipients	 <u>\$ 1,530,470</u>

NOTE 6 – HOUSING LOANS

Several loans in the housing program are either slow or non-paying. All loans in the program are protected and secured by liens on the mortgaged property. These liens are enforceable but may not guarantee full reimbursement of the debt. On an annual basis, management reviews and systematically writes off those loans when all collection procedures are exhausted.

NOTE 7 – LONG TERM INVESTMENTS

The long-term investments consist of cash and money market funds, stocks, mutual funds, and taxable fixed income. The investments are held by Hilliard & Lyons. The investments are as follows:

	Cost Basis	Market Value
Stocks	\$ 112,235	\$ 125,036
Mutual Funds	559,367	753,335
Total	\$ 671,602	\$ 878,371

NOTE 8 – NET ASSETS

Net assets exist as a result of an excess of receipts over expenses since inception of the organization, plus or minus certain adjustments. The net assets consist of a temporarily restricted segment (predominately housing projects) and an unrestricted portion (available for general treasury use). Assuming all assets are worth their book value, upon liquidation of the organization, there would be an amount left over corresponding to the net assets.

NOTE 9 – INCOME TAXES

Kentucky Association for Community Action, Inc. is a nonprofit corporation exempt from income taxes under the Internal Revenue Code, Section 501(c)(3).

NOTE 10 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 – EMPLOYEE PENSION PLAN

Entry into the Commonwealth of Kentucky's County Employees' Retirement System was authorized by the board beginning October 1, 1987. All of its full-time employees are covered under the non-hazardous plan. The System is a cost sharing, multi-employer public employee retirement system.

A member may elect to retire upon: 1) attaining age 65 for non-hazardous positions or attaining age 55 for hazardous positions, and 2) having contributed to the System. Upon completion of 30 years of service credit, or completion of 20 years of service credit for hazardous positions, a member may elect to retire with an unreduced benefit. A member may elect to retire before the normal retirement date at any time after: 1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit or at any age after 25 years of service, or 2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit. A member is vested after 5 years of service. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits. A monthly benefit equal to 2.00% of the member's final compensation multiplied by his service will be payable for non-hazardous positions, upon attainment of age 65 and completion of 48 months of service. For hazardous positions, a monthly benefit equal to 2.5% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service. A member, with less than 48 months for non-hazardous and with less than 60 months for hazardous, who retires or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life. A member who elects early retirement is entitled to a monthly benefit reduced for each month. There are also provisions for disability and death benefits and medical insurance.

Members contribute 5.00% of gross compensation. The Association pays 13.19%. On each June 30, interest is credited at the rate determined by the Board on the accumulated contribution the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

The payroll for employees covered under CERS was \$559,634. The contribution for the year ended June 30, 2007 was \$101,797. The contributions for the year consisted of \$73,816, from the Association and \$27,981 from the employees.



KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2007

NOTE 12 – NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2007:

Note payable to KHC (NHPL 97/98), Interest at 1% annual payments of \$3,312 through July, 2017	\$ 2,596
Note payable to KHC (NHPL 98/99), Interest at 1% annual payments of \$2,500 through July, 2018	1,111
Note payable to KHC (NHPL 99/00), Interest at 1% annual payments of \$5,744 through July, 2019	17,232
Note payable to KHC (NHRL 99/00), Interest at 1% annual payments of \$4,804 through July, 2019	6,726
Note payable to KHC (NHPR 00/01), Interest at 1% annual payments of \$750 through July, 2020	3,000
Note payable to KHC (NHPR 01/02), Interest at 1% annual payments of \$5,175 through July, 2021	12,291
Note payable to KHC (NHPR 02/03), Interest at 1% annual payments of \$15,225 through July, 2022	89,456
Note payable to KHC (NHPR 03/04), Interest at 1% annual payments of \$5,925 through July, 2023	41,475
Note payable to KHC (NHPR 04/05), Interest at 1% annual payments of \$5,250 through July, 2024	42,000
Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	95,850
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$4,380 through Aug, 2026	39,420
<b>Total</b>	<b>\$ 351,157</b>
Less: Current Maturities	<u>50,589</u>
<b>Long-Term Notes Payable</b>	<b><u>\$ 300,568</u></b>
Year Ending June 30,	
2008	\$ 50,589
2009	50,098
2010	44,354
2011	42,113
2012	41,363
Thereafter	<u>122,640</u>
<b>Total</b>	<b><u>\$ 351,157</u></b>

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2007

NOTE 13 – NOTES RECEIVABLE

Notes receivable consisted of the following as of June 30, 2007:

Note receivable from Harlan, LKLP (NHPL 97/98), Interest at 1%, annual payments of \$718 through June, 2007	\$ 1,190
Note receivable from Harlan (NHPL 98/99), Interest at 1%, annual payments of \$556 through June 2,008	1,111
Note receivable from Harlan, LKLP, Lexington (NHRL 99/00), Interest at 1%, annual payments of \$2,242 through June, 2009	6,085
Note receivable from KCEOC, LKLP (NHPL 99/00), Interest at 1%, annual payments of \$5,744 through June, 2009	15,181
Note receivable from Lexington (NHPR 00/01), Interest at 1%, annual payments of \$750 through June, 2010	2,250
Note receivable from Harlan, KCEOC, LKLP, Lexington (NHPR 01/02), Interest at 1%, annual payments of \$2,458 through June, 2011	11,817
Note receivable from Daniel Boone, LKLP, Lexington (NHPR 02/03), Interest at 1%, annual payments of \$14,909 through June, 2012	77,657
Note receivable from KCEOC, LKLP, Lexington (NHPR 03/04), Interest at 1%, annual payments of \$5,925 through June, 2013	38,775
Note receivable from KCEOC, LKLP, Lexington (NHPR 04/05), Interest at 1%, annual payments of \$5,250 through June, 2014	38,782
Note receivable from Bell-Whitley, KCEOC, LKLP, Lexington (NHPR 05/06) Interest at 1%, annual payments of \$10,650 through June, 2015	90,154
Note receivable from Bell-Whitley, Daniel Boone, KCEOC, LKLP, Lexington (NHPR 06/07), Interest at 1%, annual payments of \$14,474 through August, 2016	39,420
Notes Receivable from Big Sandy, Blue Grass, Central, Harlan, KCEOC, Foothills, LKLP, Lake Cumberland, Louisville, Middle Ky., Northeast, Northern, Pennyryle, & West Ky. for Castinet Software System Interest at 0%, annual payments of \$34,532 through June, 2010	<u>144,005</u>
	\$ 466,427
Less: Current Maturities	<u>62,407</u>
Long-Term Notes Receivable	<u>\$ 404,020</u>

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2007

NOTE 13 – NOTES RECEIVABLE (Continued)

Aggregate annual principal requirements are as follows:

Year Ending June 30,	
2008	\$ 88,208
2009	87,490
2010	62,402
2011	60,160
2012	54,416
Thereafter	113,751'
Total	\$ 466,427

NOTE 14 – PROPERTY AND EQUIPMENT

Individual components of the property and equipment heading are as follows:

	Cost	Accumulated Depreciation
Office Equipment	\$ 62,425	\$ 52,516
Building	757,945	75,984
Land	105,287	-
Total	\$ 925,657	\$ 128,500

NOTE 15 – ACCRUED LEAVE

It is the policy of the agency that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2007 the agency had unpaid annual leave of \$ 89,168.

**SUPPLEMENTAL INFORMATION**

	LIHEAP	RCAP Grant 06-07	RCAP Grant 05-06	Community Service Block Grant	Weatherization	UI Trust
<b>REVENUES</b>						
Grant Revenues	\$ 35,039,171	\$ 184,087	\$ 164,414	\$ 125,000	\$ 9,278,882	\$ 3,000
Rental Income	-	-	-	-	-	-
Interest Income - Client	-	-	-	-	-	-
Interest Income - Investment	-	-	-	-	-	-
Dues	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Unrecognized Gain/(Loss) on Investments	-	-	-	-	-	-
<b>Total Revenues</b>	<b>35,039,171</b>	<b>184,087</b>	<b>164,414</b>	<b>125,000</b>	<b>9,278,882</b>	<b>3,000</b>
<b>EXPENSES</b>						
Salaries	147,775	116,419	95,392	62,338	26,612	2,154
Fringe Benefits	47,973	36,543	32,725	20,164	8,703	705
Professional Services	3,563	2,240	469	1,199	378	20
Consultants	39,558	89	19	12,368	2,167	1
Education	1,615	83	127	1,194	164	1
Travel	5,221	14,508	10,004	4,528	1,834	22
Meeting Expense	3,494	1,530	321	4,287	3,812	13
Telephone	7,035	5,020	1,052	2,788	847	44
Postage	1,635	851	176	450	142	8
Rent	-	-	3,500	-	-	-
Supplies	5,420	3,479	3,452	2,150	559	29
Publications and Subscriptions	-	-	4,489	957	-	-
Dues/Fees	166	1	280	-	-	-
Insurance	17,006	6,684	1,375	3,512	63,755	58
Printing	2,751	141	29	3,730	259	1
Advertising	714	142	30	76	24	1
Utilities	1,329	1,151	241	616	194	10
Repairs & Maintenance	4,931	3,793	795	2,030	640	33
Depreciation	5,639	4,884	1,024	2,613	824	43
Marketing	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-
Payments to Subrecipients	34,743,346	-	-	-	9,167,968	-
<b>Total Expenditures</b>	<b>35,039,171</b>	<b>197,558</b>	<b>155,500</b>	<b>125,000</b>	<b>9,278,882</b>	<b>3,143</b>
Change in Net Assets	-	(13,471)	8,914	-	-	(143)
Unrestricted	-	-	8,914	-	-	(143)
Temporarily Restricted/Restricted	-	(13,471)	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ (13,471)</b>	<b>\$ 8,914</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (143)</b>

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
STATEMENT OF ACTIVITY  
INDIVIDUAL GRANT PROGRAMS  
For the Year Ended June 30, 2007

Housing Program	OCS 05-06	OCS 06-07	AEP 06-08	CCF 05-06	KU Energy 06-07	KU Energy 05-06	Treasury	Total
\$ 29,830	\$ 74,000	\$ 97,900	\$ -	\$ 96,809	\$ -	\$ -	\$ -	\$ 45,093,093
-	-	-	-	-	-	-	15,000	15,000
3,352	-	-	-	-	-	-	-	3,352
-	-	-	-	-	-	-	9,918	9,918
-	-	-	-	-	-	-	17,755	17,755
-	-	-	-	-	-	-	155,363	155,363
-	-	-	5,800	-	53,179	19,900	20,672	99,551
-	-	-	-	-	-	-	109,609	109,609
<u>33,182</u>	<u>74,000</u>	<u>97,900</u>	<u>5,800</u>	<u>96,809</u>	<u>53,179</u>	<u>19,900</u>	<u>328,317</u>	<u>45,503,641</u>
2,042	31,589	44,429	1,070	1,504	3,672	230	29,141	564,367
668	11,399	13,285	350	509	1,201	75	9,522	183,822
26	385	1,021	113	10	43	3	9,688	19,158
1	7,094	11,815	18,707	975	2	-	5,579	98,375
1	1,137	2,851	-	360	1	-	3,176	10,710
30	4,183	10,400	-	62	71	1	13,291	64,155
17	2,144	8,778	-	1,382	29	2	30,847	56,656
57	940	2,287	-	23	96	7	1,000	21,196
10	167	412	-	4	16	1	804	4,676
-	-	-	-	-	-	-	-	3,500
38	1,762	1,783	-	21,051	63	4	2,331	42,121
-	-	-	-	1	-	-	1,832	7,279
264	-	-	-	-	-	-	4,950	5,661
278	1,129	2,990	-	30	125	9	1,523	98,474
2	24	64	-	1,071	3	-	194	8,269
2	24	65	-	1	3	-	152	1,234
13	198	525	-	5	22	2	216	4,522
43	1,707	2,488	-	17	72	5	1,821	18,375
55	840	2,225	-	22	93	7	5,691	23,960
-	-	-	-	-	-	-	21,000	21,000
3,435	-	-	-	-	-	-	-	3,435
-	-	-	-	-	-	-	978	978
<u>29,830</u>	<u>-</u>	<u>-</u>	<u>5,475</u>	<u>69,782</u>	<u>60,913</u>	<u>10,091</u>	<u>-</u>	<u>44,087,405</u>
<u>36,812</u>	<u>64,722</u>	<u>105,418</u>	<u>25,715</u>	<u>96,809</u>	<u>66,425</u>	<u>10,437</u>	<u>143,736</u>	<u>45,349,328</u>
(3,630)	9,278	(7,518)	(19,915)	-	(13,246)	9,463	184,581	154,313
(3,630)	9,278	(7,518)	(19,915)	-	(13,246)	9,463	184,581	199,000
<u>\$ (3,630)</u>	<u>\$ 9,278</u>	<u>\$ (7,518)</u>	<u>\$ (19,915)</u>	<u>\$ -</u>	<u>\$ (13,246)</u>	<u>\$ 9,463</u>	<u>\$ 184,581</u>	<u>\$ 154,313</u>

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

LIEAP  
SUPPLEMENTAL SCHEDULES

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 LIHEAP GRANT  
 CONTRACT #M-06107251  
 STATEMENT OF PROGRAM EXPENSE  
 For the Period July 1, 2006 Through June 30, 2007

Agency Subsidy benefits (KACA records)	\$ 10,786,972
Agency Crisis benefits (KACA records)	21,330,255
Agency Prior Year Adjustments (KACA records)	(31,052)
Agency Administration (KACA records)	<u>2,657,171</u>
 TOTAL PAYMENTS TO SUBRECIPIENTS	 \$ 34,743,346

KACA ADMINISTRATION:

Salaries	\$ 130,709
Fringe Benefits	42,392
Professional Services	2,367
Consultants	39,549
Education	1,206
Travel	4,116
Meeting Expense	3,344
Telephone	6,545
Postage	1,553
Supplies	5,097
Dues/Fees	166
Insurance	16,364
Printing	2,738
Advertising	700
Utilities	1,217
Repairs & Maintenance	4,560
Depreciation	<u>5,162</u>

Total KACA Administration 267,785

DSM Expenses 28,040

TOTAL EXPENDITURES 35,039,171

QUESTIONED COSTS (See Schedule) -

ALLOWABLE COST 35,039,171

AMOUNT RECEIVED FROM CHFS - HEAP (35,070,866)

(ACCOUNTS RECEIVABLE)/PAYABLE FROM FUNDING SOURCES 31,695

EXCESS RECEIPTS OVER EXPENDITURES \$ -

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



KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 LIHEAP GRANT  
 CONTRACT #M-06107251  
 SCHEDULE OF BUDGET AND ACTUAL EXPENSES  
 For the Period July 1, 2006 Through June 30, 2007

Cost Category	<u>Budget</u>	<u>Actual</u>	(Over) / Under <u>Budget</u>
Administrative Cost	\$ 3,212,247	\$ 2,924,956	\$ 287,291
Benefits Cost			
Subsidy	10,786,972	10,786,972	-
Crisis	<u>23,307,130</u>	<u>21,330,255</u>	<u>1,976,875</u>
Total Benefits Cost	<u>37,306,349</u>	<u>35,042,183</u>	<u>2,264,166</u>
Other Benefits			
Prior Year Adjustments	-	(31,052)	31,052
DSM	<u>30,000</u>	<u>28,040</u>	<u>1,960</u>
Total Other Payments	<u>30,000</u>	<u>(3,012)</u>	<u>33,012</u>
<b>TOTAL CONTRACT</b>	<u><u>\$ 37,336,349</u></u>	<u><u>\$ 35,039,171</u></u>	<u><u>\$ 2,297,178</u></u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 LIHEAP GRANT  
 CONTRACT #M-06107251  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	<u>ACTUAL</u>	<u>QUESTIONED COST</u>	<u>BALANCE</u>
Agency Subsidy Benefits (1)	10,786,972	-	10,786,972
Agency Crisis Benefits (1)	21,330,255	-	21,330,255
Agency Administration (1)	2,657,171	-	2,657,171
Agency Prior Year Adjustments (1)	(31,052)	-	(31,052)
KACA Administration (1)	267,785	-	267,785
DSM Expenditures (1)	28,040	-	28,040
	<u>35,039,171</u>	<u>-</u>	<u>35,039,171</u>
TOTAL EXPENSES	<u>35,039,171</u>	<u>-</u>	<u>35,039,171</u>

(1) Taken from KACA payment records

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 LIHEAP- COMPARISON OF KACA PAYMENTS TO PAYMENTS  
 PER AGENCY AUDITS FOR CONTRACT #M-06107251  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	Payments Per KACA Records Through 6/30/07	Allowable Costs Per Agency Audits	Questioned Cost	FY 05-06 Audit Over/(Under)	** FY 06-07 Audit Over/(Under)	Accounts Receivable From Agencies	Accounts Payable To Agencies
Audubon *	\$ 1,030,177		\$ -	\$ (304)	\$ -	\$ 304	\$ 1,383
Bell Whitley	1,215,185	1,215,185	-	-	-	-	-
Big Sandy *	3,519,119		-	-	-	-	-
Bluegrass	1,082,203	1,082,203	-	-	-	-	-
Central KY	1,612,752	1,639,712	-	-	-	-	26,960
Daniel Boone	2,276,617	2,291,659	-	-	-	-	15,042
Gateway	999,190	999,190	-	-	-	-	-
Harlan Co. *	608,606		-	-	-	8,234	-
KCEOC *	671,483		-	(210)	-	-	24,086
KY River Foothills	1,100,688	1,097,414	-	(3,473)	(3,274)	-	-
LKLP *	2,542,649		-	(20,768)	-	-	-
Lake Cumberland	3,091,041	3,090,716	-	-	(325)	-	-
Lex-Fayette *	905,681		-	-	-	-	-
Licking Valley	557,325	557,325	-	-	-	-	-
Louisville *	3,068,115		-	(1,093)	-	44,113	-
Middle KY River	1,155,437	1,155,437	-	-	-	-	-
Multi-Purpose	321,276	321,276	-	-	-	-	-
Northeast KY *	2,596,033		-	-	-	-	-
Northern KY *	1,405,649		-	-	-	-	7,676
Pennyrile	1,643,861	1,643,861	-	-	-	-	-
Southern KY *	1,493,816		-	(5,204)	-	2,584	-
Tri-County	197,415	197,415	-	-	-	-	-
West KY Allied	1,657,267	1,660,168	-	-	-	-	2,901
<b>SUBTOTALS</b>	<b>\$ 34,751,585</b>	<b>\$ 16,951,561</b>	<b>\$ -</b>	<b>\$ (31,052)</b>	<b>\$ (3,599)</b>	<b>\$ 55,235</b>	<b>\$ 78,048</b>
Add Accounts Payable	78,048						
Deduct Accounts Receivable	(55,235)						
Subtotal	34,774,398						
05/06 Audit (Over)/Under	(31,052)						
KACA Admin	267,785						
KACA DSM	28,040						
<b>TOTAL COSTS FY 07</b>	<b>\$ 35,039,171</b>						
06-07 Audit Over/(Under) as of Audit Date	(3,599)						
<b>REVISED TOTAL (Audit Date)</b>	<b>\$ 35,035,572</b>						

\*These subcontractee agencies have yet to issue KACA a final independent audit. However, we have performed other procedures to verify the figures provided by KACA.

\*\* FY 2007 Audit Over/(Under) is as of Audit Report Date

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

RCAP  
SUPPLEMENTAL SCHEDULES

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACTS PY 05-06  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2006)  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2006 Through June 30, 2007

Technitrain	\$ 125,550
SDWA	31,300
HHS	133,951
RCDI	46,357
EPAW	18,450
SOLID WASTE	<u>95,000</u>
 CONTRACT AWARD	 <u>\$ 450,608</u>

EXPENDITURES

	Actual <u>6/30/06</u>	Actual <u>6/30/07</u>	Total
Salaries	\$ 179,001	\$ 95,392	\$ 274,393
Fringe Benefits	54,891	32,725	87,616
Professional Services	1,871	469	2,340
Consultants		19	19
Education	482	127	609
Travel	27,013	10,004	37,017
Meeting Expense	939	321	1,260
Telephone	4,906	1,052	5,958
Postage	961	176	1,137
Rent	750	3,500	4,250
Supplies	3,217	3,452	6,669
Publications and Subscriptions	401	4,489	4,890
Dues/Fees	361	280	641
Insurance	10,777	1,375	12,152
Printing	302	29	331
Advertising	-	30	30
Utilities	1,045	241	1,286
Repairs & Maintenance	3,704	795	4,499
Depreciation	<u>4,487</u>	<u>1,024</u>	<u>5,511</u>
 Total Expenditures	 <u>\$ 295,108</u>	 <u>\$ 155,500</u>	 <u>\$ 450,608</u>
 QUESTIONED COSTS	 <u>-</u>	 <u>-</u>	 <u>-</u>
 ADJUSTED COST	 295,108	 155,500	 450,608
 CONTRACT PAYMENTS RECEIVED	 <u>286,194</u>	 <u>164,414</u>	 <u>450,608</u>
 EXCESS AVAILABLE FOR TRANSFER TO TREASURY FUND	 <u>\$ (8,914)</u>	 <u>\$ 8,914</u>	 <u>\$ -</u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACTS PY 05-06  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2006)  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	UNADJUSTED <u>COST</u>	QUESTIONED <u>COST</u>	ADJUSTED <u>COST</u>
Salaries	\$ 95,392	\$ -	\$ 95,392
Fringe Benefits	32,725	-	32,725
Professional Services	469	-	469
Consultants	19	-	19
Education	127	-	127
Travel	10,004	-	10,004
Meeting Expense	321	-	321
Telephone	1,052	-	1,052
Postage	176	-	176
Rent	3,500	-	3,500
Supplies	3,452	-	3,452
Publications and Subscriptions	4,489	-	4,489
Dues/Fees	280	-	280
Insurance	1,375	-	1,375
Printing	29	-	29
Advertising	30	-	30
Utilities	241	-	241
Repairs & Maintenance	795	-	795
Depreciation	1,024	-	1,024
	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 155,500</u>	<u>\$ -</u>	<u>\$ 155,500</u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACTS # PY 06-07  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2007)  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

Technitrain	\$ 77,950
SDWA	33,106
HHS	<u>73,031</u>

CONTRACT AWARD

\$ 184,087

EXPENDITURES

Salaries	\$ 116,419
Fringe Benefits	36,543
Professional Services	2,240
Consultants	89
Education	83
Travel	14,508
Meeting Expense	1,530
Telephone	5,020
Postage	851
Supplies	3,479
Dues/Fees	1
Insurance	6,684
Printing	141
Advertising	142
Utilities	1,151
Repairs & Maintenance	3,793
Depreciation	<u>4,884</u>

Total Expenditures \$ 197,558

QUESTIONED COSTS

-

ADJUSTED COST

197,558

CONTRACT PAYMENTS RECEIVED

85,564

ACCOUNTS RECEIVABLE FROM FUNDING SOURCES

98,523

EXCESS RECEIPTS OVER EXPENDITURES \*

\$ (13,471)

\* These funds are temporarily restricted until the contract ends September 30, 2006.

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACTS # PY 06-07  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2007)  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	<u>UNADJUSTED</u> <u>COST</u>	<u>QUESTIONED</u> <u>COST</u>	<u>ADJUSTED</u> <u>COST</u>
Salaries	\$ 116,419	\$ -	\$ 116,419
Fringe Benefits	36,543	-	36,543
Professional Services	2,240	-	2,240
Consultants	89	-	89
Education	83	-	83
Travel	14,508	-	14,508
Meeting Expense	1,530	-	1,530
Telephone	5,020	-	5,020
Postage	851	-	851
Supplies	3,479	-	3,479
Dues/Fees	1	-	1
Insurance	6,684	-	6,684
Printing	141	-	141
Advertising	142	-	142
Utilities	1,151	-	1,151
Repairs & Maintenance	3,793	-	3,793
Depreciation	4,884	-	4,884
	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 197,558</u>	<u>\$ -</u>	<u>\$ 197,558</u>

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



OTHER  
SUPPLEMENTAL SCHEDULES

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 CSBG GRANT  
 CONTRACT # M-06107251  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2006 Through June 30, 2007

EXPENDITURES	
Salaries	\$ 62,338
Fringe Benefits	20,164
Professional Services	1,199
Consultants	12,368
Education	1,194
Travel	4,528
Meeting Expense	4,287
Telephone	2,788
Postage	450
Supplies	2,150
Publications and Subscriptions	957
Insurance	3,512
Printing	3,730
Advertising	76
Utilities	616
Repairs & Maintenance	2,030
Depreciation	<u>2,613</u>
Total Expenditures	125,000
QUESTIONED COSTS	<u>-</u>
ADJUSTED COST	125,000
CONTRACT PAYMENTS RECEIVED	112,161
ACCOUNTS RECEIVABLE FROM FUNDING SOURCES	<u>12,839</u>
EXCESS RECEIPTS OVER EXPENDITURES	<u><u>\$ -</u></u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 UNEMPLOYMENT INSURANCE TRUST PROGRAM  
 STATEMENT OF RECEIPTS AND EXPENDITURES  
 For the Period July 1, 2006 Through June 30, 2007

<b>RECEIPTS</b>	
Contract Payments Received	\$ 2,250
Accounts Receivable from Funding Sources	<u>750</u>
 Total Receipts	 \$ 3,000
 <b>EXPENDITURES</b>	
Salaries	\$ 2,154
Fringe Benefits	705
Professional Services	20
Consultants	1
Education	1
Travel	22
Meeting Expense	13
Telephone	44
Postage	8
Supplies	29
Insurance	58
Printing	1
Advertising	1
Utilities	10
Repairs & Maintenance	33
Depreciation	<u>43</u>
 Total Expenditures	 <u>\$ 3,143</u>
 EXCESS RECEIPTS OVER EXPENDITURES	 <u><u>\$ (143)</u></u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 KENTUCKY HOUSING CORPORATION  
 REVOLVING LOAN PROGRAM  
 STATEMENT OF RECEIPTS AND EXPENDITURES  
 For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

Grant Revenue - KHC (NHPR)	\$ 29,830
Client Interest Income	<u>3,352</u>
 Total Receipts	 33,182

EXPENDITURES

Salaries	2,042
Fringe Benefits	668
Professional Services	26
Consultants	1
Education	1
Travel	30
Meeting Expense	17
Telephone	57
Postage	10
Supplies	38
Dues/Fees	264
Insurance	278
Printing	2
Advertising	2
Utilities	13
Repairs & Maintenance	43
Depreciation	55
Interest Expense	3,435
Payments to Subrecipients	<u>29,830</u>
 Total Expenditures	 <u>36,812</u>

EXCESS RECEIPTS OVER EXPENDITURES \$ (3,630)

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.

OCS

CONTRACT #90ET0306/01, 90EQ0090/02  
(FOR CONTRACTS ENDING SEPTEMBER 29, 2006)

For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

Promoting Healthy Marriage	\$ 50,000
SAI- CSBG	<u>100,000</u>

CONTRACT AWARD

\$ 150,000

	<u>ACTUAL</u> <u>6/30/06</u>	<u>ACTUAL</u> <u>6/30/07</u>	<u>TOTAL</u>
<b>EXPENDITURES</b>			
Salaries	\$ 39,342	\$ 31,589	\$ 70,931
Fringe Benefits	11,636	11,399	23,035
Professional Services	667	385	1,052
Consultants	13,733	7,094	20,827
Education	859	1,137	1,996
Travel	5,515	4,183	9,698
Meeting Expense	1,575	2,144	3,719
Telephone	1,698	940	2,638
Postage	355	167	522
Supplies	1,194	1,762	2,956
Publications and Subscriptions	5	-	5
Dues/Fees	4	-	4
Insurance	3,797	1,129	4,926
Printing	1,607	24	1,631
Advertising	-	24	24
Utilities	372	198	570
Repairs & Maintenance	1,320	1,707	3,027
Depreciation	<u>1,599</u>	<u>840</u>	<u>2,439</u>
Total Expenditures	85,278	64,722	150,000
QUESTIONED COSTS	<u>-</u>	<u>-</u>	<u>-</u>
ADJUSTED COST	85,278	64,722	150,000
CONTRACT PAYMENTS RECEIVED	<u>(76,000)</u>	<u>(74,000)</u>	<u>(150,000)</u>
EXCESS AVAILABLE FOR TRANSFER TO TREASURY FUND	<u>\$ (9,278)</u>	<u>\$ 9,278</u>	<u>\$ -</u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.

OCS

CONTRACTS # 90ET0336/01, 90EQ0090/02  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2007)

For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

Promoting Healthy Marriage	\$ 57,200
SAI- CSBG	<u>40,700</u>

CONTRACT AWARD

\$ 97,900

EXPENDITURES

Salaries	\$ 44,429
Fringe Benefits	13,285
Professional Services	1,021
Consultants	11,815
Education	2,851
Travel	10,400
Meeting Expense	8,778
Telephone	2,287
Postage	412
Supplies	1,783
Insurance	2,990
Printing	64
Advertising	65
Utilities	525
Repairs & Maintenance	2,488
Depreciation	<u>2,225</u>

Total Expenditures	105,418
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QUESTIONED COSTS

-

ADJUSTED COST

105,418

CONTRACT PAYMENTS RECEIVED

(97,900)

ACCOUNTS RECEIVABLE FROM FUNDING SOURCES

-

EXCESS RECEIPTS OVER EXPENDITURES \*

\$ (7,518)

\* These funds are temporarily restricted until the contract ends September 30, 2007.

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 COMPASSION CAPITOL FUND  
 STATEMENT OF PROGRAM EXPENSES  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2006)  
 For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

Compassion Capitol Agencies	\$ 59,612
	417,286

CONTRACT AWARD

\$ 476,898

	ACTUAL 6/30/06	ACTUAL 6/30/07	TOTAL
<b>PAYMENTS to SUBRECIPIENTS</b>			
Big Sandy CAP	\$ 78,563	\$ 16,101	\$ 94,664
Daniel Boone Development Council	70,599	22,635	93,234
Gateway CAA	121,343	14,096	135,439
LKLP CAA	76,999	16,950	93,949
<b>Total Payments to Subrecipients</b>	347,504	69,782	417,286

EXPENDITURES

Salaries	\$ 18,943	\$ 1,504	\$ 20,447
Fringe Benefits	5,685	509	6,194
Professional Services	354	10	364
Consultants	22	975	997
Education	371	360	731
Travel	1,835	62	1,897
Meeting Expense	187	1,382	1,569
Telephone	862	23	885
Postage	171	4	175
Supplies	446	21,051	21,497
Publications and Subscriptions	2	1	3
Dues/Fees	2	-	2
Insurance	2,260	30	2,290
Printing	34	1,071	1,105
Advertising	-	1	1
Utilities	198	5	203
Repairs & Maintenance	701	17	718
Depreciation	850	22	872

Total KACA Administration	32,923	27,027	59,950
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Total Expenditures	380,427	96,809	477,236
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QUESTIONED COSTS

	-	-	-
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ADJUSTED COST

	380,427	96,809	477,236
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CONTRACT PAYMENTS RECEIVED

	(380,427)	(96,809)	(477,236)
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EXCESS AVAILABLE FOR TRANSFER TO TREASURY FUND

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
AEP  
STATEMENT OF PROGRAM EXPENSES  
(FOR CONTRACTS ENDING SEPTEMBER 30, 2008)  
For the Period July 1, 2006 Through June 30, 2007

RECEIPTS

AEP		\$ 5,800
CONTRACT AWARD		<u>\$ 5,800</u>
PAYMENTS to SUBRECIPIENTS		
Northeast KY CAA	\$ 5,475	
Total Payments to Subrecipients		5,475
EXPENDITURES		
Salaries	\$ 1,070	
Fringe Benefits	350	
Professional Services	113	
Consultants	<u>18,707</u>	
Total KACA Administration		<u>20,240</u>
Total Expenditures		25,715
QUESTIONED COSTS		<u>-</u>
ADJUSTED COST		25,715
CONTRACT PAYMENTS RECEIVED		(5,800)
ACCOUNTS RECEIVABLE FROM FUNDING SOURCES		<u>-</u>
EXCESS RECEIPTS OVER EXPENDITURES *		<u>\$ (19,915)</u>

\* These funds are temporarily restricted until the contract ends September 30, 2008.

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



KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 KENTUCKY UTILITIES ENERGY ASSISTANCE  
 STATEMENT OF RECEIPTS AND EXPENDITURES  
 (FOR CONTRACT ENDING OCTOBER 31, 2007)  
 For the Period November 1, 2005 Through June 30, 2007

RECEIPTS

Kentucky Utilities \$ 56,680

ACTUAL 11/1/05 - 6/30/06	ACTUAL 7/1/06 - 10/31/07	TOTAL
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PAYMENTS to SUBRECIPIENTS

CAC - Lexington/Fayette	\$ 31,751	\$ 10,091	\$ 41,842
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Total Payments to Subrecipients	31,751	10,091	41,842
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EXPENDITURES

Salaries	\$ 1,454	\$ 230	\$ 1,684
Fringe Benefits	446	75	521
Professional Services	18	3	21
Education	1	-	1
Travel	97	1	98
Meeting Expense	9	2	11
Telephone	43	7	50
Postage	8	1	9
Supplies	21	4	25
Insurance	100	9	109
Advertising	1	-	1
Utilities	10	2	12
Repairs & Maintenance	34	5	39
Depreciation	42	7	49

Total KACA Administration	2,284	346	2,630
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Total Expenditures	34,035	10,437	44,472
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QUESTIONED COSTS	-	-	-
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ADJUSTED COST	34,035	10,437	44,472
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CARRY OVER APPLIED	(4,247)		(4,247)
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CONTRACT PAYMENTS RECEIVED	(36,780)	(19,900)	(56,680)
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EXCESS AVAILABLE FOR CARRY-OVER *	\$ 6,992	\$ 9,463	\$ 16,455
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\* These funds are restricted until the contract ends.

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 KENTUCKY UTILITIES ENERGY ASSISTANCE  
 STATEMENT OF RECEIPTS AND EXPENDITURES  
 (FOR CONTRACT ENDING JUNE 30, 2007)  
 For the Period November 1, 2006 Through June 30, 2007

<b>RECEIPTS</b>		
Carry-Over From Contract as of November 1, 2006	\$ 16,455	
Kentucky Utilities	<u>53,179</u>	
<b>Total Receipts</b>		<b>69,634</b>
<b>PAYMENTS to SUBRECIPIENTS</b>		
CAC - Lexington/Fayette	<u>\$ 60,913</u>	
<b>Total Payments to Subrecipients</b>		<b>60,913</b>
<b>EXPENDITURES</b>		
Salaries	\$ 3,672	
Fringe Benefits	1,201	
Professional Services	43	
Consultants	2	
Education	1	
Travel	71	
Meeting Expense	29	
Telephone	96	
Postage	16	
Supplies	63	
Insurance	125	
Advertising	3	
Printing	3	
Utilities	22	
Repairs & Maintenance	72	
Depreciation	<u>93</u>	
<b>Total KACA Administration</b>		<u><b>5,512</b></u>
<b>Total Expenditures</b>		<b>66,425</b>
<b>QUESTIONED COSTS</b>		<u><b>-</b></u>
<b>ADJUSTED COST</b>		<b>66,425</b>
<b>CONTRACT PAYMENTS RECEIVED</b>		<u><b>(69,634)</b></u>
<b>EXCESS RECEIPTS OVER EXPENDITURES *</b>		<u><u><b>\$ 3,209</b></u></u>

\* These funds are restricted until the contract ends.

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
WEATHERIZATION GRANT  
CONTRACT # M-06107251  
STATEMENT OF PROGRAM EXPENSES  
For the Period July 1, 2006 Through June 30, 2007

PAYMENTS to SUBRECIPIENTS		
Department of Energy	\$ 4,266,378	
Liheap	<u>4,901,590</u>	
Total Payments to Subrecipients		\$ 9,167,968
KACA ADMINISTRATION:		
Salaries	\$ 26,612	
Fringe Benefits	8,703	
Professional Services	378	
Consultants	2,167	
Education	164	
Travel	1,834	
Meeting Expense	3,812	
Telephone	847	
Postage	142	
Supplies	559	
Insurance	3,645	
Printing	259	
Advertising	24	
Utilities	194	
Repairs & Maintenance	640	
Depreciation	<u>824</u>	
Total KACA Administration		50,804
Pollution Insurance		<u>60,110</u>
TOTAL EXPENDITURES		9,278,882
QUESTIONED COSTS (See Schedule)		<u>-</u>
ALLOWABLE COST		9,278,882
AMOUNT RECEIVED FROM CHFS - HEAP		(7,785,227)
ACCOUNTS RECEIVABLE FROM FUNDING SOURCES		(1,493,655)
ACCOUNTS PAYABLE TO FUNDING SOURCES		<u>-</u>
EXCESS RECEIPTS OVER EXPENDITURES		<u><u>\$ -</u></u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WEATHERIZATION GRANT  
 CONTRACT #M-06107251  
 SCHEDULE OF BUDGET AND ACTUAL EXPENSES  
 For the Period July 1, 2006 Through June 30, 2007

Cost Category	<u>Budget</u>	<u>Actual</u>	(Over) / Under <u>Budget</u>
<b>Department of Energy</b>			
Administrative Cost	\$ 492,187	\$ 492,187	\$ -
Materials	663,014	670,274	(7,260)
Program Support	595,116	603,508	(8,392)
Labor	977,540	1,007,080	(29,540)
Health & Safety	848,599	847,500	1,099
Vehicles & Equipment	115,321	78,067	37,254
Liability Insurance	123,968	124,355	(387)
Audit	26,109	26,109	-
Training	151,870	103,198	48,672
Performance Award	402,458	399,619	2,839
	<u>4,396,182</u>	<u>4,351,897</u>	<u>44,285</u>
<b>Total DOE Benefits</b>			
<b>LIHEAP</b>			
Administrative Cost	530,540	460,501	70,039
Materials	1,001,299	927,796	73,503
Program Support	879,699	855,532	24,167
Labor	1,585,782	1,458,315	127,467
Health & Safety	1,335,974	1,117,628	218,346
Liability Insurance	16,961	14,579	2,382
Audit	14,917	14,617	300
Vehicles & Equipment	101,773	78,017	23,756
	<u>5,466,945</u>	<u>4,926,985</u>	<u>539,960</u>
<b>Total Liheap Benefits</b>			
<b>TOTAL CONTRACT</b>	<u>\$ 9,863,127</u>	<u>\$ 9,278,882</u>	<u>\$ 584,245</u>

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WEATHERIZATION GRANT  
 CONTRACT #M-06107251  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	<u>ACTUAL</u>	<u>QUESTIONED COST</u>	<u>BALANCE</u>
Agency DOE Benefits (1)	\$ 4,266,378	\$ -	\$ 4,266,378
Agency Liheap Benefits (1)	<u>4,901,590</u>	<u>-</u>	<u>4,901,590</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 9,167,968</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,167,968</u></b>

(1) Taken from KACA payment records

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

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 WEATHERIZATION-COMPARISON OF KACA PAYMENTS TO PAYMENTS  
 PER AGENCY AUDITS FOR CONTRACT #M-06107251  
 SCHEDULE OF QUESTIONED COSTS  
 For the Period July 1, 2006 Through June 30, 2007

	Payments Per KACA Records Through 6/30/07	Allowable Costs Per Agency Audits	Questioned Cost	FY 05-06 Audit Over/(Under)	** FY 06-07 Audit Over/(Under)	Accounts Receivable From Agencies	Accounts Payable To Agencies
Audubon *	\$ 288,355		\$ -	\$ (665)	\$ -	\$ -	\$ 49,906
Bell Whitley	270,545	299,906	-	-	-	-	29,361
Big Sandy *	529,416		-	-	-	-	36,515
Bluegrass	308,935	359,690	-	-	-	-	50,755
Central KY	391,656	437,073	-	-	1,895	-	43,522
Daniel Boone	344,099	420,485	-	-	-	-	76,386
Gateway	329,840	348,424	-	-	-	-	18,584
Harlan Co. *	137,837		-	(1,584)	-	-	34,489
KCEOC *	161,144		-	823	-	5,444	28,141
KY River Foothills	311,887	352,471	-	-	-	-	40,584
LKLP *	416,380		-	-	-	-	42,042
Lake Cumberland	464,212	640,777	-	-	-	-	176,565
Lex-Fayette *	298,714		-	-	-	-	89,545
Licking Valley	329,903	388,060	-	-	-	-	58,157
Middle KY River	164,486	216,054	-	(161)	(77)	-	51,645
Multi-Purpose	156,652	181,034	-	-	-	-	24,382
Northeast KY *	439,273		-	-	-	-	10,527
Northern KY *	465,923		-	-	-	-	103,914
Pennyrite	371,862	489,150	-	-	(2,999)	-	120,287
Southern KY *	509,368		-	-	-	-	83,282
Tri-County	156,830	191,946	-	-	-	-	35,116
West KY Allied	308,156	399,590	-	(3,377)	-	-	91,434
Louisville Metro *	583,933		-	-	-	-	143,831
<b>SUBTOTALS</b>	<b>\$ 7,739,406</b>	<b>\$ 4,724,660</b>	<b>\$ -</b>	<b>\$ (4,964)</b>	<b>\$ (1,181)</b>	<b>\$ 5,444</b>	<b>\$ 1,438,970</b>
Add Accounts Payable	1,438,970						
Deduct Accounts Receivable	(5,444)						
<b>Subtotal</b>	<b>9,172,932</b>						
05/06 Audit Over/(Under)	(4,964)						
KACA Admin	50,804						
Pollution Insurance	60,110						
<b>TOTAL COSTS FY 07</b>	<b>\$ 9,278,882</b>						
06-07 Audit Over/(Under) as of Audit Date	(1,181)						
<b>REVISED TOTAL (Audit Date)</b>	<b>\$ 9,277,701</b>						

\*These subcontractee agencies have yet to issue KACA a final independent audit. However, we have performed other procedures to verify the figures provided by KACA.

\*\* FY 2007 Audit Over/(Under) is as of Audit Report Date

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

OMB A-133 DISCLOSURES

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

To the Board of Directors  
Kentucky Association for Community Action, Inc.  
Frankfort, Kentucky

We have audited the financial statements of Kentucky Association for Community Actions, Inc. as of and for the year ended June 30, 2007 and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether Kentucky Association for Community Action, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Kentucky Association for Community Action, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal award agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*L. J. Williams, CPA*  
December 28, 2007





*Larry J. Williams, CPA*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Kentucky Association for Community Action, Inc.  
Frankfort, Kentucky

**Compliance**

We have audited the compliance of Kentucky Association for Community Action, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Kentucky Association for Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kentucky Association for Community Action, Inc.'s management. Our responsibility is to express an opinion on Kentucky Association for Community Action, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kentucky Association for Community Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kentucky Association for Community Action, Inc.'s compliance with those requirements.

In our opinion, Kentucky Association for Community Action, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Kentucky Association for Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kentucky Association for Community Action, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*L. J. Williams, CPA*

December 28, 2007

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2007

<u>Grant</u>	<u>Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Grant Period Ending</u>	<u>Federal Award Expenditures as of 6/30/07</u>
U.S. Department of Health and Human Services					
Community Services Block Grant	Office for Performance Enhancement	93.569	M-06107251	6/30/07	\$125,000
Low Income Home Energy Assistance Program		93.568	M-06107251	6/30/07	35,039,171
Weatherization - DOE		81.042	M-06107251	6/30/07	4,351,897
Weatherization - LIHEAP		93.568	M-06107251	6/30/07	4,926,985
Rural Community Assistance Program	W.S.O.S Community Action Comm.				
RCDI		10.446	01	9/30/06	44,884
EPAW		66.606	PY 05-06	9/30/06	2,799
SDWA		66.607	PY 05-06	9/30/06	5,260
Technitrain		10.761	PY 05-06	9/30/06	26,613
HHS		93.570	PY 05-06	9/30/06	27,959
Solid Waste Management		10.762	PY 05-06	9/30/06	47,985
Rural Community Assistance Program	W.S.O.S Community Action Comm.				
SDWA		66.607	PY 06-07	9/30/07	31,123
Technitrain		10.761	PY 06-07	9/30/07	91,762
HHS		93.570	PY 06-07	9/30/07	72,673
Promoting Healthy Marriage Training and Technical Assistance	Office of Community Services	93.086	90ET0336/01	9/29/06	45,971
		93.002	90EQ0090/02	9/29/06	18,751
Promoting Healthy Marriage Training and Technical Assistance		93.086	90ET0349/01	9/29/07	61,927
		93.002	90EQ0090/03	9/29/07	43,491
Compassion Capital	Foothills Community Action Partner.	93.647		9/30/06	96,809
<b>TOTALS</b>					<u><u>\$45,061,060</u></u>

See accompanying Notes to the Financial Statements for Significant accounting policies.

KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued		Unqualified
Internal control over financial reporting		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs?		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low- Income Heating and Energy Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,351,832
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

COMMUNITY ACTION KENTUCKY, INC.

AUDITED FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

BLANK & INGRAM  
CERTIFIED PUBLIC ACCOUNTANTS

**COMMUNITY ACTION KENTUCKY , INC.**

**AUDITED FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2008**

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## FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Community Action Kentucky, Inc.**

**I have audited the accompanying statement of financial position of Community Action Kentucky, Inc. ("CAK," nonprofit organization) as of June 30, 2008 and the related statements of activity, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of CAK'S management. My responsibility is to express an opinion on these financial statements based on my audit.**

**I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.**

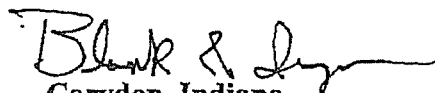
**In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAK as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with Government Auditing Standards, I have also issued my report dated December 11, 2008, on my consideration of CAK'S internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.**



Page 2  
Board of Directors

My audit was performed for the purpose of forming an opinion on CAK'S basic financial statements, taken as a whole. The accompanying schedule of federal assistance (page 19) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplemental information (pages 26- 36) is presented for purposes of additional analysis pursuant to contractual agreements with grantors. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
Corydon, Indiana  
December 11, 2008

COMMUNITY ACTION KENTUCKY, INC.  
 STATEMENT OF FINANCIAL POSITION  
 AS OF June 30, 2008

<u>ASSETS</u>		<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash		\$ 190,697
Receivables:		
Reimbursable costs		1,808,857
Due from sub-recipients		59,588
Current portion of Notes Receivable		50,690
Prepaid expenses		4,961
Total Current Assets		<u>2,114,793</u>
<b>OTHER ASSETS</b>		
Investments		821,248
Notes Receivable		199,006
Other Receivables		39,596
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and equipment, less accumulated depreciation of \$ 146,379 and \$ 128,500		<u>795,896</u>
<b>TOTAL ASSETS</b>		<u>\$ 3,970,539</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable		\$ 1,745
Accrued compensation		118,180
Due to Sub-recipients		1,628,787
Notes Payable - current maturities		50,690
Total Current Liabilities		<u>1,799,402</u>
Notes Payable		<u>199,007</u>
<b>TOTAL LIABILITIES</b>		<u>1,998,409</u>
<b>Net assets:</b>		
Unrestricted		1,971,487
Temporarily restricted		643
<b>TOTAL NET ASSETS</b>		<u>1,972,131</u>
		<u>\$ 3,970,539</u>

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

**COMMUNITY ACTION KENTUCKY, INC.**  
**STATEMENT OF ACTIVITY**  
**For the Year Ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>
<b>Revenue support:</b>			
Grants/contracts	\$ 40,470,792	\$ -	\$ 40,470,792
Commissions	156,744	-	156,744
Program services	134,836	-	134,836
Dues	17,315	-	17,315
Rental Income	15,000	-	15,000
Interest and dividends	38,582	-	38,582
Other	6,280	-	6,280
Investment gains (losses)	(103,257)	-	(103,257)
Release of temporarily restricted net assets	<u>2,566</u>	<u>(2,566)</u>	<u>-</u>
<b>Total unrestricted revenue</b>	<u>40,738,856</u>	<u>(2,566)</u>	<u>40,736,291</u>
 <b>Expenses:</b>			
Program Services	40,624,056	-	40,624,056
General & Administrative	237,630	-	237,630
Indirect	-	-	-
	<u>40,861,686</u>	<u>-</u>	<u>40,861,686</u>
<b>Increase in net assets</b>	<u>(122,830)</u>	<u>(2,566)</u>	<u>(125,395)</u>
 <b>Net assets beginning of year as previously stated</b>	<u>2,095,354</u>	<u>2,172</u>	<u>2,097,526</u>
 <b>Restatement</b>	<u>19,952</u>	<u>1,037</u>	<u>20,989</u>
 <b>Net assets beginning of year as restated</b>	<u>2,115,306</u>	<u>3,209</u>	<u>2,118,515</u>
 <b>Net assets end of year</b>	<u>\$ 1,992,476</u>	<u>\$ 643</u>	<u>\$ 1,993,120</u>

The accompanying notes are an integral part of the financial statements

**COMMUNITY ACTION KENTUCKY, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2008**

	<u>2008</u>
<b>Cash flows from operating activities:</b>	
<b>Increase (Decrease) in net assets</b>	\$ (125,395)
<b>Adjustments to reconcile decrease in net assets to net cash used for operating activities:</b>	
<b>Depreciation and amortization</b>	25,420
<b>Changes in operating assets and liabilities:</b>	
<b>(Increase) Decrease in reimbursable costs</b>	(184,995)
<b>(Increase) Decrease in subrecipient receivables</b>	148,365
<b>(Increase) Decrease in prepaid expenses</b>	1,206
<b>Increase (Decrease) in accounts payable</b>	(63,907)
<b>Increase (Decrease) in Due to subs</b>	98,317
<b>Increase (Decrease) in accrued expenses</b>	<u>11,044</u>
<b>Net adjustments</b>	<u>35,450</u>
<b>Net cash from (used in) operating activities</b>	<b>(89,945)</b>
<b>Cash flows from (used in) investing activities:</b>	
<b>Collections of notes receivable</b>	72,997
<b>Net Purchases/Disposals of Investments</b>	57,123
<b>Purchases of property and equipment</b>	<u>(24,159)</u>
<b>Net cash flows from (used in) investing activities</b>	<b>105,960</b>
<b>Cash flows from (used in) financing activities:</b>	
<b>Payment on long-term debt</b>	<u>(101,459)</u>
<b>Net cash flows from (used in) financing activities</b>	<u>(101,459)</u>
<b>Net increase (decrease) in cash</b>	<b>(85,444)</b>
<b>Cash at Beginning of Year</b>	<u>276,141</u>
<b>Cash at End of Year</b>	<b>\$ <u>190,697</u></b>

The accompanying notes are an intergeal part of the financial statements

COMMUNITY ACTION KENTUCKY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2008

	Program Services <u>Total</u>	General and <u>Admin.</u>	<u>Indirect</u>	2008 <u>Totals</u>
Salaries	\$ 532,964	\$ 41,776	\$ 27,358	\$ 602,098
Fringe	189,537	14,534	9,710	213,782
Professional services	68,814	16,673	8,922	94,410
Assistance payments	39,513,634	-	-	39,513,634
Education, Training	8,370	3,585	-	11,955
Office	24,935	6,233	9,120	40,289
Utilities	-	-	5,091	5,091
Depreciation and	-	6,232	19,188	25,420
Telephone	2,577	1,286	21,167	25,029
Insurance	70,180	-	25,785	95,966
Dues, Publications	2,055	4,577	256	6,888
Meeting Expense	18,833	53,920	3,914	76,667
Travel	43,300	13,559	144	57,003
Repairs and Maintenance	3,150	688	11,600	15,437
Marketing	-	52,525	-	52,525
Interest	3,176	-	-	3,176
Other	9,099	484	-	9,584
Postage and Printing	7,229	2,150	3,354	12,733
Indirect	<u>126,203</u>	<u>19,408</u>	<u>(145,611)</u>	<u>-</u>
<b>Totals</b>	<u>40,624,056</u>	<u>237,630</u>	<u>-</u>	<u>40,861,686</u>

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

**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 1 – Organization and Nature of Operations**

Community Action Kentucky, Inc. (a Kentucky nonprofit organization) is a multi-funded association for the twenty-three (23) Community Action in Kentucky. The Association was formed in 1968 to provide a link between the Community Action Agencies to better accomplish mutual goals and objectives. The responsibilities of the Association include the development and administration of grants and contracts providing services in areas such as housing, water, wastewater management, crisis intervention, and low-income home improvements.

In prior years, the organization conducted its activities as Kentucky Association for Community Action, Inc (KACA). In October, 2007, the board approved and the state granted a change of name to Community Action Kentucky, Inc (CAK).

The primary sources for flow through of funds are Cabinet for Health and Family Services, State of Kentucky and W.S.O.S. Community Action Commission.

The following programs are administered by CAK:

**LOW INCOME HOME ENERGY ASSISTANCE**

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance to provided energy services including assistance with payment of utility bills, limited repairs of heating systems and provision of fuel, heaters, blankets and certain other commodities. CAK serves as a pass-through agency with the program services being provided by the 23 sub-recipient Community Action Agencies.

**DEMAND SIDE MANAGEMENT PROGRAM**

The DSM Grant is provided by the Cabinet for Health and Family Services to engage in leveraging activities related to the LIHEAP grant. Under the grant CAK provides technical assistance to ongoing utility funded partnerships with Weatherization agencies and works toward the creation of other new programs. Community Action Kentucky, Inc. also holds quarterly meetings to allow those involved in DSM to come together and exchange information and ideas. Community Action Kentucky, Inc. also tracks federal and state legislation that affect utility industry restructuring and how that would affect DSM programs in Kentucky.

**WATER AND WASTEWATER PROGRAM (RCAP)**

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The WSOS Community Action, Inc., sponsor for the Great Lakes Rural Network, Inc., has contracted with Community Action Kentucky, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 1 – Organization and Nature of Operations (Continued)**

**HEAD START GRANTEE UNEMPLOYMENT INSURANCE TRUST**

Community Action Kentucky, Inc. provides staff support to the Kentucky Head Start Grantees Unemployment Insurance Trust for a fee of \$250 a month. The Trust is composed of nine Head Start Grantees, eight of which are Community Action Agencies. Trust members pay a percentage of their payroll into an individual account under the Trust umbrella, which is responsible for paying unemployment claims. Community Action Kentucky, Inc. plans Trust meetings (usually 4 to 6 a year), takes minutes, sends out meeting announcements, works with the Trust's legal counsel and investment portfolio manager, and handles other administrative tasks for the Trust. Community Action Kentucky, Inc. began providing the service in 1996-1997.

**HOUSING PROGRAM**

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent, and sanitary family dwellings in the Commonwealth of Kentucky.

**KU Energy Assistance Program**

CAK, in conjunction with Community Action Council, operates an energy assistance program that helps approximately 1,300 households with a subsidy benefit for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Utilities.

**AEP**

CAK, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps approximately 800 households with a subsidy benefits for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Power/AEP.

**COMMUNITY ACTION KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008**

**Note 2 – Significant Accounting Policies**

Basis of Presentation – CAK has adopted Statement of Financial Accounting Standards (SFAS) No. 117 “Financial Statements of Not-for-Profit Organizations”. SFAS No. 117 establishes standards for external financial reporting and requires that resources be classified into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

- **Unrestricted** – net assets that are not subject to any donor-imposed restrictions
- **Temporarily Restricted** – net assets subject to donor-imposed restrictions that can be met either by actions of CAK and/or the passage of time
- **Permanently Restricted** – net assets subject to donor-imposed restrictions that they be maintained permanently, but permit CAK to use or expend part or all of the income derived from the donated assets.

Use of Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue during the reporting period. Actual results could differ from those estimates.

Expenses – Expenses are reported using the accrual basis of accounting.

Revenue Recognition:

Grant and contract revenue - Revenue under cost reimbursement grants/contracts is recorded when an expense is incurred for the grant/contract supported programs or projects in the manner specified by the applicable grant/contract. Any excess of grant/contract funds received over expenses incurred is accounted for as deferred revenue until requirements for support recognition are met or is accounted for as funds to be returned to grantor agencies.

Program service revenue – Fees for program services rendered are recorded when earned. Interest income related to housing notes receivable is recorded when received. Accrued interest on such notes is not material.

Restricted revenue - Amounts that are received that are designated for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the support is received, CAK reports the support as unrestricted.

Equipment - Equipment acquired with unrestricted funds is capitalized and reported at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset.



**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 2 – Significant Accounting Policies (continued)**

Functional Allocation of Expenses – The costs of providing the various programs and projects have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs/projects benefited.

Cash and Cash Equivalents – CAK management regards any highly liquid instrument with a maturity of three months or less when purchased to be cash.

Accounts and Notes Receivable - Accounts and notes receivable are stated at amounts management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history and current relationship with clients having outstanding balances, it believes realization of losses, if any, will be immaterial.

Accrued Leave - It is the policy of the association that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2008, the association had unpaid annual leave of \$91,365.

Concentration of Grants/Contracts – Approximately 90% of CAK's funding is provided from grants/contracts from the U.S. Department of Human Services.

**Note 3 – Concentrations of Credit Risk**

At year end and throughout the year, CAK had on deposit with a local bank amounts in excess of FDIC insurance limits. As part of its cash management and investment practices, the agency monitors bank balances on an almost daily basis and transfers funds as necessary to mitigate risks associated thereto. Consequently, management believes there is no significant risk of loss.

**Note 4 – Investments**

Investments are presented at their fair value as determined by reference to quoted market prices. Related realized and unrealized gains and losses are reflected in the statement of activities. Investments consisted of the following at June 30, 2008.

	Cost	Fair Value
Stocks	128,788	96,432
Mutual Funds	559,367	724,816
Total	<u>\$688,155</u>	<u>\$821,248</u>

**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 5 – Notes Receivable**

Notes receivable arise from the conduct of CAK's housing program wherein funds are borrowed from the Kentucky Housing Commission (see Note 1) and re-loaned to the Community Action Agencies. The balance at June 30, 2008 was comprised of 26 individual loans made to 5 of these agencies.

Maturities of these notes receivable are as follows:

Year Ended June 30	
2009	\$ 50,690
2010	44,183
2011	43,433
2012	41,115
2013	26,205
Thereafter	44,070
	<u>\$ 249,696</u>

**Note 6 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2008

Office Equipment	\$ 79,043
Building	757,945
Land	<u>105,287</u>
	942,275
Less Accumulated Depreciation	<u>(146,379)</u>
	<u>\$795,896</u>

**Note 7 – Retirement Plan**

CAK participates in the Commonwealth of Kentucky's County Employees' Retirement System. The System is a cost sharing, multi-employer public employee retirement system. All of CAK's full-time employees are covered under the non-hazardous plan.

Members contribute 5% of gross compensation, while CAK pays the designated employer rate. On each June 30, interest is credit at the rate determined by the Board on the accumulated contribution the member had in his account on the previous June 30. Upon termination, a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

The contribution for the year ended June 30, 2008, was \$ 95,663.

**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 8 – Notes Payable**

Notes payable arise from the conduct of CAK’s housing program as described in notes 1 and 5. The note payable at June 30, 2008 consisted of the following.

Note payable to KHC (NHPL 99/00), Interest at 1% annual payments of \$5,744 through July, 2019	\$ 5,744
Note payable to KHC (NHRL 99/00), Interest at 1% annual payments of \$1,921 through July, 2019	1,921
Note payable to KHC (NHPR 00/01), Interest at 1% annual payments of \$750 through July, 2020	1,500
Note payable to KHC (NHPR 01/02), Interest at 1% annual payments of \$2,129 through July, 2021	6,957
Note payable to KHC (NHPR 02/03), Interest at 1% annual payments of \$15,225 through July, 2022	59,637
Note payable to KHC (NHPR 03/04), Interest at 1% annual payments of \$5,925 through July, 2023	29,625
Note payable to KHC (NHPR 04/05), Interest at 1% annual payments of \$5,250 through July, 2024	31,500
Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	74,550
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$4,380 through Aug, 2026	<u>38,262</u>
Total	249,696
Less: Current Maturities	<u>50,691</u>
	<u>\$ 199,005</u>

The note agreements provide CAK the opportunity to amortize the above loans over a twenty year period. Alternatively, management has elected to pay off the notes in the same fashion as the related notes receivable are being repaid by the borrowers, which is over a 10 years. As such, there is an accelerated repayment of the above notes as compared to the formal note terms.

Expected future principal repayments are as follows

Year Ended June 30	
2009	\$ 50,690
2010	44,183
2011	43,433
2012	41,115
2013	26,205
Thereafter	<u>44,070</u>
	<u>\$ 249,696</u>

**COMMUNITY ACTION KENTUCKY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008**

**Note 9 – Income Taxes**

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code.

**Note 10 – Prior period adjustment**

Restricted net assets and unrestricted net assets as presented in the prior year audited financial statements have been changed to reflect the correction of two errors. Specifically,

- the excess of fiscal '06/'07 expenditures over revenues received for certain grant programs have been reflected as receivables
- the excess of fiscal '06/'07 expenditures over revenues received for certain non-grant programs have been reflected as part of Unrestricted net assets

**Note 11 - Risks and Uncertainties**

Under the terms of federal and state grants and contracts, periodic audits are required of the Organization's accounting records. These audits may result in costs being questioned as not being appropriate expenditures under the terms of the grant. Any disallowed claims may be required to be repaid to the grantor. Management expects such disallowed amounts, if any, to be immaterial.

**Note 12 – Supplementary Cash Flows Information**

Interest paid	\$ 3,176
---------------	----------

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING

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

Board of Directors  
Community Action Kentucky, Inc.

I have audited the financial statements of the Community Action Kentucky, Inc. ("CAK", a Kentucky nonprofit organization) as of and for the year ended June 30, 2008, and have issued my report thereon dated December 11, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered CAK'S internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAK'S internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the CAK'S internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 08-01) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CAK'S financial statements are free of material misstatement, I 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of CAK in a separate letter dated December 11, 2008.

CAK'S response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit CAK'S response and, accordingly, I express no opinion on it. This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Corydon, IN  
December 11, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Community Action Kentucky, Inc.

I have audited the financial statements of the Community Action Kentucky, Inc. ("CAK", a Kentucky nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. CAK's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CAK management. My responsibility is to express an opinion on CAK's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CAK's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of CAK's compliance with those requirements.

In my opinion, CAK complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of CAK is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CAK's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAK's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

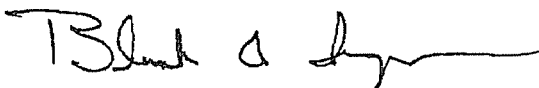
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs is not considered to be a material weakness.

I also noted certain matters that I reported to management of CAK in a separate letter dated December 11, 2008

CAK's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit CAK's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Corydon, Indiana  
December 11, 2008

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

COMMONWEALTH OF KENTUCKY  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED June 30, 2008

<u>Federal Grantor/Program</u>	<u>Pass Through Entity (If applicable)</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S Department of Agriculture:</u></b>				
Technical Assistance and Training Grants	W.S.O.S. Community Action	10.761	PY 07-08	82,330
Technical Assistance and Training Grants	W.S.O.S. Community Action	10.761	PY 06-07	20,783
				<hr/> 103,113
Solid Waste Management Grants	W.S.O.S. Community Action	10.762	PY 07-08	54,155
Total U.S. Department of Agriculture				<hr/> 157,268
<b><u>Environmental Protection Agency:</u></b>				
SDWA	W.S.O.S. Community Action	66.607	PY 06-07	15,377
Section 1442 of the Safe Water Act	W.S.O.S. Community Action	66.424	PY 08-09	311
Total Environmental Protection Agency				<hr/> 15,688
<b><u>U.S. Department of Energy:</u></b>				
Weatherization Assistance for Low-Income Persons	Kentucky Cabinet for Health and Family Services	81.042	736 700004691	3,678,809
Total Department of Energy				<hr/> 3,678,809
<b><u>U.S. Department of Health and Human Services:</u></b>				
Low-Income Home Energy Assistance/Weatherization	Kentucky Cabinet for Health and Family Services	93.568	736 700004691	4,491,418
Low-Income Home Energy Assistance	Kentucky Cabinet for Health and Family Services	93.568	736 700004691	31,593,747
				<hr/> 36,085,165
Community Services Block Grant	Kentucky Cabinet for Health and Family Services	93.569	736 700004691	125,000
Community Services Block Grant/Healthy Marriage		93.569	90ET0349/01	34,473
Community Services Block Grant/Healthy Marriage		93.569	90ET0376/01	91,172
Community Services Block Grant/EITC		93.569	90ET0362/01	49,588
				<hr/> 300,233
Community Services Block Grant-Discretionary		93.570	90EQ0090/03	21,509
Community Services Block Grant-Discretionary		93.570	90EQ0148/01	70,374
Community Services Block Grant-Discretionary	W.S.O.S. Community Action	93.570	PY 07-08	67,703
Community Services Block Grant-Discretionary	W.S.O.S. Community Action	93.570	PY 06-07	13,054
				<hr/> 172,640
Total Department of Health and Human Services				<hr/> 36,558,038
Total Expenditures of Federal Awards				<hr/> <hr/> \$ 40,409,803

KPSC 009-0007  
 Order # 09-0007  
 Attachment B  
 Item No. 7  
 Page 25 of 47  
 09-0007  
 9/9/2009

**COMMUNITY ACTION KENTUCKY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 – Basis of Presentation**

**The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Kentucky, Inc. (“CAK”) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.**

**Note 2 – Subrecipient Expenditures**

**A substantial amount of expenditures included on the Schedule of Federal Financial Assistance are passed through to various subrecipients of CAK. The Schedule of Subrecipient Expenditures on page 21 provides a summary of subrecipient activity by subrecipient and federal program.**

**Community Action Kentucky, Inc.**  
**Schedule of Subrecipient Expenditures**  
**For the year ended June 30, 2008**

	LIHEAP	Home Weatherization	Healthy Marriage/EITC	Total
	93.568	81.042	93.569	
Audubon Area	1,222,381	145,564	1,000	1,368,945
Bell-Whitley CAA	1,246,190	119,644	5,500	1,371,334
Big Sandy CAP	3,207,342	223,500	7,500	3,438,342
Blue Grass CAA	1,177,591	139,393	-	1,316,984
Central Ky CAA	1,744,390	171,974	-	1,916,364
Daniel Boone CAA	2,145,348	153,494	4,500	2,303,342
Gateway CAA	1,157,562	147,568	-	1,305,130
Harlan Co CAA	588,837	79,317	-	668,154
KCEOC CAP	674,965	80,569	1,000	756,534
Foothills CAP	1,254,559	133,845	4,000	1,392,404
LKLP CAA	2,180,872	194,268	5,500	2,380,640
Lake Cumberland CAA	2,911,564	255,618	4,000	3,171,182
CAC - Lexington	1,286,315	144,124	1,000	1,431,439
Licking Valley CAP	731,358	138,685	4,500	874,543
Louisville Metro	2,904,826	-	4,500	2,909,326
Middle Ky CAP	1,031,573	80,297	-	1,111,870
Multi-Purpose CAA	423,922	79,512	-	503,434
Northeast Ky CAA	2,566,463	161,705	-	2,728,168
Northern Ky CAC	1,626,718	216,491	4,500	1,847,709
Pennyrile Allied	1,679,009	187,335	-	1,866,344
Community Action of	1,893,311	217,550	8,500	2,119,361
Tri County CAA	277,684	78,106	4,500	360,290
West Ky Allied	1,522,220	148,972	-	1,671,192
Dept of Housing	282,746	292,120	-	574,866
	<u>35,737,746</u>	<u>3,589,651</u>	<u>60,500</u>	<u>39,387,897</u>

**COMMUNITY ACTION KENTUCKY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2008**

**There were no findings reported in the audit for the year ended June 30, 2007.**

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



**COMMUNITY ACTION KENTUCKY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

**Type of auditor’s report issued: Unqualified**

**Internal control over financial reporting:**

- **Material weaknesses identified?**                         yes      X   no
  
- **Significant deficiency identified that are not considered to be material weaknesses**                      X   yes         none reported

**Noncompliance material to financial statements noted?**                         yes      X   no

***Federal Awards***

**Internal control over major programs:**

- **Material weaknesses identified?**                         yes      X   no
  
- **Significant deficiency identified that are not considered to be material weaknesses**                      X   yes         none reported

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

**Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?**                         yes      X   no

**COMMUNITY ACTION KENTUCKY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Identification of major programs:**

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
93.568	LIHEAP
81.042	Weatherization

**Dollar threshold used to distinguish  
between type A and type B programs**                      **\$ 1,212,000**

**Auditee qualified as low-risk auditee?**                        X   yes                             no

**II. FINANCIAL STATEMENT FINDINGS**

**Finding 08-1 – See following**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**See finding 08-01 in section II of this Schedule.**

## **Finding 08-01 - Segregation of Duties**

### Condition

One component of properly functioning internal control is a segregation of the duties that reduces the risk of error or inappropriate action. Segregation of duties consists of splitting those duties among individuals such that no one individual has control of a transaction from its inception to its ultimate recording in the accounting records. With respect to accounting transactions, the four principal duties to be segregated are custody, authorization, recording, and reconciliation.

Because of staffing and budgeting constraints, CAK is unable to achieve adequate segregation of duties.

### Effect

While we noted no errors or irregularities with regard to transaction classes where segregation was lacking, these transactions can be processed without full supervisory review.

### Recommendation:

CAK management should, where possible, utilize existing staff to support the fiscal officer in the performance of duties. If duties cannot be segregated, management should consider instituting compensating controls such as periodically rotating duties or having other employees perform periodic and detailed reviews of work performed.

### Management response:

The agency is cognizant of the lack of full segregation of duties inherent in having a limited fiscal staff. Management conducts ongoing reviews of its accounting procedures and has made every practical effort to utilize existing staff to achieve segregation. While we are not currently aware of any cost-effective opportunities to achieve further segregation, we will continue to monitor.

# Supplemental Information

	LIHEAP	RCAP 07/08	RCAP 06/07	SWP 08/09	CSBG	WX
<b>REVENUES</b>						
Grant Revenue	31,593,747	208,697	54,715	311	125,000	8,170,227
Rental Income	-	-	-	-	-	-
Int Income	-	-	-	-	-	-
Dues	-	-	-	-	-	-
Program Service Inc	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
<b>Total Revenues</b>	<b>31,593,747</b>	<b>208,697</b>	<b>54,715</b>	<b>311</b>	<b>125,000</b>	<b>8,170,227</b>
<b>EXPENSES</b>						
Salaries	182,876	127,044	34,139	202	68,282	43,231
Fringe Benefits	64,910	45,092	12,117	72	24,256	15,344
Professional Serv	12,829	1,566	240	3	1,152	567
Consultants	6,141				6,442	5,269
Education	847		150		710	1,442
Travel	8,471	11,618	2,493		4,333	4,745
Meeting	2,874	687	105	1	10,085	249
Telephone	8,245	3,744	570	7	2,769	1,357
Postage	863	538	73	1	540	190
Supplies	8,066	7,223	4,740	3	5,170	4,711
Publications	20	97	2		223	4
Dues/Fees	221	33	5		193	12
Insurance	17,025	4,645	694	9	3,330	61,924
Printing	2,069	115	18		4,286	83
Advertising						
Utilities	1,524	893	137	2	658	324
Repairs & Main	3,472	2,035	312	4	1,498	738
Marketing						
Depreciation	5,743	3,367	516	7	2,478	1,220
Interest						
Unrecognized Loss						
Loss on Investments						
Other						
Subrecipients	31,287,480					8,039,917
<b>Total Expenses</b>	<b>31,613,676</b>	<b>208,697</b>	<b>56,311</b>	<b>311</b>	<b>136,405</b>	<b>8,181,327</b>
Change in Net Assets	(19,929)	-	(1,596)		(11,405)	(11,100)
Unrestricted	(19,929)		(1,596)		(11,405)	(11,100)
Temporarily Restricted	-	-	-	-	-	-
<b>Total</b>	<b>(19,929)</b>	<b>-</b>	<b>(1,596)</b>	<b>-</b>	<b>(11,405)</b>	<b>(11,100)</b>

COMMUNITY ACTION KENTUCKY, INC.  
STATEMENT OF ACTIVITY BY PROGRAM  
For the year ended June 30, 2008

UI Trust	Housing	OCS 07/08	OCS 06/07	KU Energy 08/12	KU Energy 06/07	AEP 07/08	Treasury	Total
-	50,980	211,133	55,982	-	-	-		40,470,792
-	-	-	-	-	-	-	15,000	15,000
-	3,515	-	-	-	-	-	12,248	15,763
-	-	-	-	-	-	-	17,315	17,315
3,000	-	-	-	41,775	11,940	59,630	156,743	273,088
-	-	-	-	-	-	-	21,255	21,255
-	-	-	-	-	-	-	-	-
<u>3,000</u>	<u>54,495</u>	<u>211,133</u>	<u>55,982</u>	<u>41,775</u>	<u>11,940</u>	<u>59,630</u>	<u>222,561</u>	<u>40,813,213</u>
1,594	1,941	64,258	19,957	2,145	113	10,894	45,423	602,099
566	689	22,820	7,419	761	40	3,867	15,828	213,781
14	20	1,330	150	303	1	450	14,899	33,524
		25,800	9,000		5,000	270	2,964	60,886
		3,435	1,485			300	3,585	11,954
		5,019	5,999	247		499	13,578	57,002
6	9	8,133	66	8	1	-	54,442	76,666
61	78	3,687	356	45	2	-	4,107	25,028
5	6	551	45	6		-	2,247	5,065
15	20	1,417	1,455	20	1	8	7,449	40,298
		460	398				2,340	3,544
	226	378	3	1			2,271	3,343
41	405	3,964	434	55	3		3,437	95,966
1	1	384	11	1		342	349	7,660
							600	600
8	11	759	86	11	1		679	5,093
19	26	4,878	195	25	1		2,234	15,437
							51,925	51,925
31	43	2,860	323	41	2		8,789	25,420
	3,176							3,176
							73,677	73,677
							3,246	3,246
		500	8,600				484	9,584
	50,980	60,500		37,468	14,209	23,080		39,513,634
<u>2,361</u>	<u>57,631</u>	<u>211,133</u>	<u>55,982</u>	<u>41,137</u>	<u>19,374</u>	<u>39,710</u>	<u>314,553</u>	<u>40,938,608</u>
639	(3,136)	-	-	638	(7,434)	19,920	(91,992)	(125,395)
639	(3,136)	-	-	-	(7,434)	19,914	(91,992)	(126,039)
-	-	-	-	638	-	6	-	644
<u>639</u>	<u>(3,136)</u>	<u>-</u>	<u>-</u>	<u>638</u>	<u>(7,434)</u>	<u>19,920</u>	<u>(91,992)</u>	<u>(125,395)</u>

## Supplemental Information

### Pass Through from Kentucky Cabinet for Health and Family Services

COMMUNITY ACTION KENTUCKY, INC.  
 LIHEAP GRANT - CFDA 93.568  
 CONTRACT #736-07000046911  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

Agency Subsidy Benefits (CAK records)	\$ 11,178,099
Agency Crisis Benefits (CAK records)	14,071,790
Agency Summer Cooling Benefits (CAK records)	3,523,475
Agency Prior Year Adjustments (CAK records)	(26,883)
Agency Administration (CAK records)	<u>2,540,999</u>

TOTAL PAYMENTS TO SUBRECIPIENTS 31,287,480

CAK ADMINISTRATION

Salaries	182,876
Fringe Benefits	64,910
Professional Services	12,829
Consultants	6,141
Education	847
Travel	8,471
Meeting	2,874
Telephone	8,245
Postage	863
Supplies	8,066
Publications	20
Dues/Fees	221
Insurance	17,025
Printing	2,069
Utilities	1,524
Repairs & Main	3,472
Depreciation	<u>5,743</u>

Total CAK Administration 326,196

TOTAL EXPENDITURES 31,613,676

QUESTIONED COSTS -

ADJUSTED COST 31,613,676

AMOUNT RECEIVED FROM CHFS - HEAP 31,577,280

ACCOUNTS RECEIVABLE FROM FUNDING SOURCES 16,467

EXCESS RECEIPTS OVER EXPENDITURES \$ (19,929)



COMMUNITY ACTION KENTUCKY, INC.  
LIHEAP GRANT - CFDA 93.568  
CONTRACT #736-07000046911  
STATEMENT OF PROGRAM EXPENSES  
For the Period July 1, 2007 Through June 30, 2008

Cost Category	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
Administrative Cost			
Subrecipient	2,581,636	2,540,999	(40,637)
Community Action Kentucky	<u>305,693</u>	<u>294,823</u>	<u>(10,871)</u>
Total Administrative	2,887,329	2,835,822	(51,508)
Benefits - Direct Assistance			
Subsidy	11,178,099	11,178,099	-
Crisis	14,107,862	14,071,790	(36,072)
Summer Cooling	<u>3,523,475</u>	<u>3,523,475</u>	<u>-</u>
Total Benefits	28,809,436	28,773,364	(36,072)
Other Expenditures			
DSM	30,000	31,374	1,374
Prior Year Adjustments	<u>-</u>	<u>(26,883)</u>	<u>(26,883)</u>
Total Other	<u>30,000</u>	<u>4,491</u>	<u>(25,509)</u>
Total Contract	<u><u>31,726,765</u></u>	<u><u>31,613,677</u></u>	<u><u>(113,089)</u></u>

COMMUNITY ACTION KENTUCKY, INC.  
 LIHEAP and WEATHERIZATION GRANT  
 CONTRACT #736-07000046911  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

PAYMENTS TO SUBRECIPIENTS	
Department of Energy	\$ 3,589,651
LIHEAP	<u>4,450,266</u>
TOTAL PAYMENTS TO SUBRECIPIENTS	8,039,917
CAK ADMINISTRATION	
Salaries	43,231
Fringe Benefits	15,344
Professional Services	567
Consultants	5,269
Education	1,442
Travel	4,745
Meeting	249
Telephone	1,357
Postage	190
Supplies	4,711
Publications	4
Dues/Fees	12
Insurance	61,924
Printing	83
Utilities	324
Repairs & Main	738
Depreciation	<u>1,220</u>
Total CAK Administration	141,410
TOTAL EXPENDITURES	<u>8,181,327</u>
QUESTIONED COSTS	<u>-</u>
ADJUSTED COST	8,181,327
AMOUNT RECEIVED FROM CHFS - WX	6,484,775
ACCOUNTS RECEIVABLE FROM FUNDING SOURCES	1,685,452
ACCOUNTS PAYABLE TO FUNDING SOURCES	<u>-</u>
EXCESS RECEIPTS OVER EXPENDITURES	<u><u>\$ (11,100)</u></u>

COMMUNITY ACTION KENTUCKY, INC.  
 LIHEAP and WEATHERIZATION GRANT  
 CONTRACT #736-07000046911  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
Department of Energy - CFDA # 81.042			
Administrative Cost	551,576	551,576	-
Materials	605,283	610,213	(4,930)
Program Support	641,347	646,688	(5,341)
Labor	909,175	919,309	(10,134)
Health & Safety	752,683	753,380	(697)
Vehicles & Equipment	28,268	5,995	22,273
Liability Insurance	72,493	70,852	1,641
Audit	28,932	28,932	-
Training	109,052	91,864	17,188
	<hr/>	<hr/>	<hr/>
Total Department of Energy	3,698,809	3,678,809	20,000
LIHEAP - CFDA # 93.568			
Administrative Cost	434,071	413,879	20,192
Materials	805,674	774,682	30,992
Program Support	799,122	785,781	13,341
Labor	1,544,740	1,338,613	206,127
Health & Safety	1,232,676	1,137,854	94,822
Vehicles & Equipment	5,250	-	5,250
Liability Insurance	31,183	28,482	2,701
Audit	12,658	12,127	531
	<hr/>	<hr/>	<hr/>
Total LIHEAP	4,865,374	4,491,418	373,956
	<hr/>	<hr/>	<hr/>
Total Contract	<u>8,564,183</u>	<u>8,170,227</u>	<u>393,956</u>

COMMUNITY ACTION KENTUCKY, INC.  
 CSBG GRANT - CFDA 93.569  
 CONTRACT #736-07000046911  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

EXPENDITURES

Salaries	\$ 68,282
Fringe Benefits	24,256
Professional Services	1,152
Consultants	6,442
Education	710
Travel	4,333
Meeting	10,085
Telephone	2,769
Postage	540
Supplies	5,170
Publications	223
Dues/Fees	193
Insurance	3,330
Printing	4,286
Utilities	658
Repairs & Main	1,498
Depreciation	2,478
 TOTAL EXPENDITURES	 <u>136,405</u>
 QUESTIONED COSTS	 <u>-</u>
 ADJUSTED COST	 136,405
 AMOUNT RECEIVED FROM CHFS - CSBG	 106,411
 ACCOUNTS RECEIVABLE FROM FUNDING SOURCES	 <u>18,589</u>
 EXCESS RECEIPTS OVER EXPENDITURES	 <u><u>\$ (11,405)</u></u>

## Supplemental Information

### Pass Through from W.S.O.S.Community Action Agency (RCAP)

COMMUNITY ACTION KENTUCKY, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACT PE 07/08  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2008)  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

HHS	93.570	\$ 97,705
Safety & Security	66.424	3,100
Technitrain	10.761	104,173
Solid Waste	10.762	<u>95,000</u>
 CONTRACT AWARD		 <u>299,978</u>
 EXPENDITURES		
Salaries	127,044	
Fringe Benefits	45,092	
Professional Services	1,566	
Travel	11,618	
Meeting	687	
Telephone	3,744	
Postage	538	
Supplies	7,223	
Publications	97	
Dues/Fees	33	
Insurance	4,645	
Printing	115	
Utilities	893	
Repairs & Main	2,035	
Depreciation	<u>3,367</u>	
 TOTAL EXPENDITURES		 208,697
 QUESTIONED COSTS (See Schedule)		 <u>-</u>
 ADJUSTED COST		 208,697
 CONTRACT PAYMENTS RECEIVED		 142,811
 ACCOUNTS RECEIVABLE FROM FUNDING SOURCES		 65,886
 EXCESS RECEIPTS OVER EXPENDITURES		 <u>\$ -</u>

COMMUNITY ACTION KENTUCKY, INC.  
 WSOS COMMUNITY ACTION COMMISSION, INC. RCAP GRANT  
 CONTRACT PE 06/07  
 (FOR CONTRACTS ENDING SEPTEMBER 30, 2007)  
 STATEMENT OF PROGRAM EXPENSES  
 For the Period July 1, 2007 Through June 30, 2008

HHS	93,570	\$85,727
SDWA	66,607	48,500
Technitrain	10,761	112,546
Keene	Non-federal	<u>5,500</u>

CONTRACT AWARD \$252,273

EXPENDITURES	Actual <u>6/30/07</u>	Actual <u>6/30/08</u>	<u>Total</u>
Salaries	\$ 116,419	\$ 34,139	\$ 150,558
Fringe Benefits	36,543	12,117	48,660
Professional Services	2,240	240	2,480
Consultants	89	-	89
Education	83	150	233
Travel	14,508	2,493	17,001
Meeting	1,530	105	1,635
Telephone	5,020	570	5,590
Postage	851	73	924
Supplies	3,479	4,740	8,219
Publications	-	2	2
Dues/Fees	1	5	6
Insurance	6,684	694	7,378
Printing	141	18	159
Advertising	142	-	142
Utilities	1,151	137	1,288
Repairs & Main	3,793	312	4,105
Depreciation	4,884	516	5,400
TOTAL EXPENDITURES	<u>197,558</u>	<u>56,311</u>	<u>253,869</u>
QUESTIONED COSTS	<u>-</u>	<u>-</u>	<u>-</u>
ADJUSTED COST	197,558	56,311	253,869
CONTRACT PAYMENTS RECEIVED	85,564	166,709	252,273
EXCESS RECEIPTS OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,596)</u>

# Supplemental Information

## Direct Federal Programs



COMMUNITY ACTION KENTUCKY, INC.  
OCS  
CONTRACT #90EQ0148/01, #90ET0376/01, & #90ET0362/01  
(FOR CONTRACTS ENDING SEPTEMBER 29, 2008)  
For the Period July 1, 2007 Through June 30, 2008

RECEIPTS

Promoting Healthy Marriage	93.569	\$ 87,100
SAI/CSBG	93.570	63,800
EITC	93.569	<u>45,000</u>

TOTAL RECEIPTS

195,900

EXPENDITURES

Salaries	\$ 64,258	
Fringe Benefits	22,820	
Professional Services	1,330	
Consultants	25,800	
Education	3,435	
Travel	5,019	
Meeting	8,133	
Telephone	3,687	
Postage	551	
Supplies	1,417	
Publications	460	
Dues/Fees	378	
Insurance	3,964	
Printing	384	
Utilities	759	
Repairs & Main	4,878	
Depreciation	2,860	
Other	500	
Subrecipients	<u>60,500</u>	

TOTAL EXPENDITURES

211,133

QUESTIONED COSTS (See Schedule)

-

ADJUSTED COST

211,133

CONTRACT PAYMENTS RECEIVED

195,900

ACCOUNTS RECEIVABLE FROM FUNDING SOURCES

15,233

EXCESS RECEIPTS OVER EXPENDITURES

\$ -

COMMUNITY ACTION KENTUCKY, INC.  
OCS  
CONTRACT #90ET0349/01, 90EQ0090/03  
(FOR CONTRACTS ENDING SEPTEMBER 29, 2007)  
For the Period July 1, 2007 Through June 30, 2008

RECEIPTS

Promoting Healthy Marriage	93,569	\$ 96,400
SAI/CSBG	93,570	<u>65,000</u>

CONTRACT AWARD

\$ 161,400

EXPENDITURES

	<u>Actual</u> <u>6/30/2007</u>	<u>Actual</u> <u>6/30/2008</u>	<u>Total</u>
Salaries	\$ 44,429	\$ 19,957	\$ 64,386
Fringe Benefits	13,285	7,419	20,704
Professional Services	1,020	150	1,170
Consultants	11,815	9,000	20,815
Education	2,851	1,485	4,336
Travel	10,400	5,999	16,399
Meeting	8,778	66	8,844
Telephone	2,287	356	2,643
Postage	412	45	457
Supplies	1,783	1,455	3,238
Publications		398	398
Dues/Fees	1	3	4
Insurance	2,990	434	3,424
Printing	64	11	75
Advertising	65	-	65
Utilities	525	86	611
Repairs & Main	2,488	195	2,683
Depreciation	2,225	323	2,548
Other		8,600	8,600
<hr/>			
TOTAL EXPENDITURES	105,418	55,982	161,400
QUESTIONED COSTS (See Schedule)	-	-	-
<hr/>			
ADJUSTED COST	105,418	55,982	161,400
CONTRACT PAYMENTS RECEIVED	105,418	55,982	161,400
<hr/>			
EXCESS RECEIPTS OVER EXPENDITURES	\$ -	\$ -	\$ -
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