

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	2-3
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS	4
NOTES TO THE FINANCIAL STATEMENTS	5-6
SUPPLEMENTARY INFORMATION	
Supplementary Schedules of Receipts, Disbursements and Amounts Due to Student Groups:	
Heath High School.....	8
Lone Oak High School	9-10
Reidland High School.....	11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Schedule of Prior Findings	14



INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

Report on the Financial Statements

We have audited the accompanying combined statement of receipts, disbursements and amounts due to student groups of the McCracken County Board of Education School Activity Funds as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's activity funds basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements and amounts due to student groups of the McCracken County Board of Education School Activity Funds for the year ended June 30, 2013, on the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McCracken County Board of Education School Activity Funds' basic financial statements. The accompany supplementary schedules of receipts, disbursements, and amounts due to student groups by school and by activity on pages 8 through 11 are presented for the purpose of additional analysis and are not a required part of the combined statement of receipts, disbursements, and amounts due to student groups of the McCracken County Board of Education School Activity Funds..

The supplementary schedules of receipts, disbursements, and amounts due to student groups by school and by activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of receipts, disbursements, and due to student groups by school and by activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the McCracken County Board of Education School Activity Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McCracken County Board of Education School Activity Funds' internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
October 14, 2013

**MCCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balances 7/1/2012	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2013	Accounts Receivable 6/30/2013	Accounts Payable 6/30/2013	Amounts Due to Student Groups 6/30/2013
				To	From				
High Schools									
Heath	\$ 20,241	\$ 196,687	\$ 195,758	\$ 31,273	\$ (31,273)	\$ 21,170	\$ -	\$ -	\$ 21,170
Lone Oak	243,220	625,298	723,562	161,919	(161,919)	144,956	-	12,530	132,426
Reidland	154,908	333,707	402,826	(11,835)	11,835	85,789	-	9,027	76,762
Middle Schools									
Heath	34,142	149,090	155,844	2,310	(2,310)	27,388	-	215	27,173
Lone Oak	66,849	139,741	158,770	373	(373)	47,820	-	521	47,299
Reidland	26,880	129,394	124,410	4,632	(4,632)	31,864	-	455	31,409
Elementary Schools									
Concord	5,716	55,839	55,338	650	(650)	6,217	-	-	6,217
Farley	46,863	46,132	50,920	-	-	42,075	-	422	41,653
Heath	17,043	62,589	60,822	1,585	(1,585)	18,810	-	-	18,810
Hendron Lone Oak	83,555	125,785	170,644	10,691	(10,691)	38,696	-	-	38,696
Lone Oak	31,811	134,558	127,823	11,913	(11,913)	38,546	-	-	38,546
Reidland	40,758	27,710	27,682	1,081	(1,081)	40,786	-	-	40,786
Totals	<u>\$771,986</u>	<u>\$ 2,026,530</u>	<u>\$ 2,254,399</u>	<u>\$ 214,592</u>	<u>\$(214,592)</u>	<u>\$ 544,117</u>	<u>\$ -</u>	<u>\$ 23,170</u>	<u>\$ 520,947</u>

See accompanying independent auditor's report and notes to combined statement of receipts, disbursements and due to student groups.

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS**

NOTE A – FUND STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Fund Structure

The McCracken County Board of Education (Board) School Activity Funds (the “Activity Funds”) provide funding for programs to supplement the activities provided by the Board. The Board prescribes policies for the supervision and administration of the Activity Funds as set forth in the Kentucky Department of Education’s publication “Accounting Procedures for Kentucky School Activity Funds”. Salaries for the treasurers of Activity Funds and other administrative support are paid by the Board and recorded in the Board’s general fund.

Schools generate revenue for the Activity Funds primarily from athletic event admissions, fund raising projects, donations and allocations from the Board.

Basis of Accounting

The accounting records of the Activity Funds are maintained on a modified cash basis method of accounting as permitted by the Kentucky Department as set forth in its publication “Accounting Procedures for Kentucky School Activity Funds”. The Activity Funds maintain their accounting records on the basis of accounting required to comply with the regulatory provisions prescribed by the Kentucky Department of Education within the “Accounting Procedures for Kentucky School Activity Funds”. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Receivables of a fund are only recorded when a right to receive cash in the future exists and liabilities of a fund, similarly, result from an obligation to expend cash in the future.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis method of accounting requires management to make estimates and assumptions that affect reported amounts of receipts, disbursements, and due to student groups at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B – FUTURE FUNDING

Funding for the Activity Funds is generally dependent upon the fund raising ability of the students, parents and others in the schools and the success of other programs. Continuation of the various activities in each school is predicated upon the ability of students, parents and others to raise funds, the students’ intent to continue their activities, and the Board’s continued support of these activities.

NOTE C – CASH DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Activity Funds’ deposits may not be returned or the Activity Funds will not be able to recover collateral securities in the possession of an outside party. The Activity Funds’ investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the Board’s primary financial institution maintains an irrevocable letter of credit agreement up to \$20,000,000 with the Federal Home Loan Bank of Cincinnati with the Board as the sole beneficiary. Deposits are 100% secured with collateral valued at market or par, whichever is lower. However, some activity fund accounts are maintained at other financial institutions due to various school locations in the County, and at times, demand deposits may exceed depository insurance at these locations. The Activity Funds have incurred no losses in the past as a result of bank balances in excess of FDIC insurance coverage.

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS**

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued)

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Activity Funds follow the Board’s investment policies. Generally, the Board’s investing activities are managed under the custody of the Board’s Finance Director. Investing is performed in accordance with investment policies adopted by the Board of Directors. In accordance with State statutes and the Board’s investment policy, the Board may invest funds temporarily in excess of operating needs in the following:

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements.
2. Obligations of any corporation of the United States government.
3. Certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.241(4).
4. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
5. Uncollateralized certificates of deposits issued by any bank or savings and loan institution, bankers’ acceptances for banks, or securities issued by a state or local government or any instrumentality of agency thereof, in the United States rated in one of the three highest categories by a nationally recognized rating agency.
6. Commercial paper rated in the highest category by a nationally recognized rating agency.
7. Shares of mutual funds as permitted by KRS 66.480.

It is the Board’s policy not to purchase any investment on a margin basis or through the use of any similar leveraging technique. In addition, the amount of funds the Board may invest at any time in categories 4, 5, 6, and 7 shall not exceed twenty percent (20%) of the total funds invested.

During the year ended June 30, 2013, the Activity Funds’ only investments were money market checking accounts. At year end, the carrying amount and the bank balance of the Board’s Activity Funds cash and cash equivalents was \$544,117 and \$566,266, respectively. As of June 30, 2013, the Board’s Activity Funds bank balance was as follows:

Balance covered by FDIC insurance	\$ 439,639
Collateral held by pledging financial institutions’ trust department not in the Board’s name	126,627
Uncollateralized	<u> -</u>
 Total	 <u>\$ 566,266</u>

NOTE D – SUBSEQUENT EVENTS

On July 1, 2013, Heath, Lone Oak, and Reidland High Schools activity fund accounts were closed and transferred into the McCracken County High School Activity Fund due to the consolidation of the three high schools. Lone Oak Intermediate School is also opening August 2013. This school will consist of students from the fourth and fifth grade from Lone Oak and Hendron Lone Oak Elementary Schools. Allocation of funds will be transferred from Lone Oak and Hendron Lone Oak Elementary Schools to Lone Oak Intermediate School to start up the activity fund at the Intermediate School.

Management has evaluated subsequent events through October 14, 2013 the date which the financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

**MCCRACKEN COUNTY BOARD OF EDUCATION
HEATH HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2013

	Cash Balances 7/1/2012	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2013	Accounts Receivable 6/30/2013	Accounts Payable 6/30/2013	Amounts Due to Student Groups 6/30/2013
				To	From				
Academic Club	\$ -		\$ 1,115	\$ 1,115	\$ -	\$ -	\$ -	\$ -	\$ -
Art Club	889	2,273	1,489	-	-	1,673	-	-	1,673
Athletics	-	730	1,835	1,105	-	-	-	-	-
Band	-	97	-	-	-	97	-	-	97
Baseball	-	650	4,361	3,711	-	-	-	-	-
Basketball	847	24,399	17,587	2,470	(6,000)	4,129	-	-	4,129
Catering - Buc's	-	-	-	-	-	-	-	-	-
Charitable Gaming	-	2,372	2,372	-	-	-	-	-	-
Cheerleader	339	1,191	906	-	-	624	-	-	624
Choir	-	-	336	336	-	-	-	-	-
Class of 2013	1,191	12,074	14,380	1,115	-	-	-	-	-
Class of 2014	-	7,516	9,032	1,516	-	-	-	-	-
Cross Country	-	316	1,828	1,512	-	-	-	-	-
Environmental Club	191	8,284	7,099	-	-	1,376	-	-	1,376
Pirates Island YSC	468	100	480	-	(88)	-	-	-	-
FBLA	204	12,788	12,030	-	-	962	-	-	962
Fellow Christian	239	30	-	-	(269)	-	-	-	-
FFA	1,481	9,763	10,659	-	-	585	-	-	585
Forensic Science	2	-	-	-	(2)	-	-	-	-
FCCLA	423	226	167	-	(100)	382	-	-	382
Friends of Rachel	625	6,868	7,750	300	-	43	-	-	43
Faculty Fund	151	1,504	1,655	-	-	-	-	-	-
Football	-	16,316	20,071	3,755	-	-	-	-	-
Four - H	83	-	133	50	-	-	-	-	-
General	4,153	23,839	9,483	6,671	(20,110)	5,070	-	-	5,070
Books & Trip	1,344	13,164	14,253	-	(255)	-	-	-	-
Golf	-	-	1,920	1,920	-	-	-	-	-
Home Economics	-	974	929	-	(45)	-	-	-	-
Library	1,762	1,413	2,809	-	-	366	-	-	366
National Honor Society	301	1,107	1,149	-	(200)	59	-	-	59
Pirata	4,590	7,035	10,583	-	-	1,042	-	-	1,042
Soccer	-	8,375	6,203	883	-	3,055	-	-	3,055
Softball	-	280	2,695	2,415	-	-	-	-	-
Spanish Club	93	40	119	-	(14)	-	-	-	-
Student Council	347	9	281	-	-	75	-	-	75
Swim Team	-	-	385	385	-	-	-	-	-
Tennis	-	-	198	198	-	-	-	-	-
Tournament	-	21,375	17,185	-	(4,190)	-	-	-	-
Track	-	-	1,686	1,686	-	-	-	-	-
Volleyball	-	2,577	2,707	130	-	-	-	-	-
Wrestling	518	5,575	4,842	-	-	1,251	-	-	1,251
Y Club	-	3,427	3,046	-	-	381	-	-	381
Totals	\$ 20,241	\$ 196,687	\$ 195,758	\$ 31,273	\$ (31,273)	\$ 21,170	\$ -	\$ -	\$ 21,170

See independent auditor's report on supplementary financial information.

**MCCRACKEN COUNTY BOARD OF EDUCATION
LONE OAK HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2013

	Cash		Disburse- ments	(Interfund Transfers)		Cash	Accounts	Accounts	Amounts Due to Student Groups
	Balances	Receipts		To	From	Balances	Receivable	Payable	
	7/1/2012					6/30/2013	6/30/2013	6/30/2013	
General Athletics	\$ 44,383	\$ 33,393	\$ 69,991	\$ 68,392	\$ (60,012)	\$ 16,165	\$ -	\$ 61	\$ 16,104
AP Exams	5,961	23,441	22,948	-	(4,815)	1,639	-	-	1,639
Annual (Yearbook)	11,620	21,519	25,088	-	(2,389)	5,662	-	922	4,740
Art	2,445	6,561	8,192	4,000	(945)	3,869	-	-	3,869
Baseball	2,114	6,077	9,481	3,000	(1,352)	358	-	-	358
Basketball - Boys	704	20,389	9,608	4,000	(14,459)	1,026	-	-	1,026
Basketball - Girls	-	7,361	10,316	4,000	(1,004)	41	-	-	41
Beta Club	299	7,761	5,862	423	(1,000)	1,621	-	-	1,621
El Salvador/Beta Club	422	13,930	16,040	3,000	(423)	889	-	-	889
Biology	4,625	2,395	3,509	600	(100)	4,011	-	-	4,011
Cheerleader	53	-	1,011	1,000	-	42	-	-	42
Choir	223	20,415	21,117	3,000	-	2,521	-	-	2,521
Classroom-Lab Fee	3,632	12,782	10,051	6,188	(600)	11,951	-	-	11,951
Daily Living Skills	858	3,054	2,658	-	-	1,254	-	33	1,221
Regional Tournament	4,927	6,605	5,423	-	(6,109)	-	-	-	-
Drink Fund / Teacher	1,956	7,094	8,009	-	-	1,041	-	40	1,001
FBLA	1,155	4,174	4,593	-	(10)	726	-	-	726
FCA	224	-	98	-	-	126	-	-	126
FFA	7,558	48,975	54,823	-	(210)	1,500	-	-	1,500
FCCLA	1,119	10,633	9,860	965	(14)	2,843	-	-	2,843
Football	-	45,560	31,427	25,012	(39,145)	-	-	-	-
Football Club	15	-	-	-	-	15	-	-	15
French Club	563	-	-	-	(563)	-	-	-	-
Spanish Club	569	30	-	-	(599)	-	-	-	-
General	9,777	16,299	18,468	7,364	(2,000)	12,972	-	157	12,815
Independence Bank	205	-	-	-	(100)	105	-	-	105
FACS	7,162	7,404	9,764	-	-	4,802	-	61	4,741
Golf	776	265	1,891	1,001	-	151	-	-	151
KCID	35	7,352	8,596	2,100	-	891	-	596	295
Library	183	321	305	-	(10)	189	-	-	189
Lost Textbooks	274	193	-	-	(274)	193	-	-	193
Math Club	1,400	-	-	-	-	1,400	-	-	1,400
Math Prep Session - AP	18	-	-	-	(18)	-	-	-	-
NSSP	60	-	-	-	-	60	-	-	60
Newspaper	1,068	-	439	-	-	629	-	-	629
Parking Fee	1,000	-	-	-	(1,000)	-	-	-	-
Pep Club	2	-	-	-	-	2	-	-	2
Petty Cash	30	-	-	-	-	30	-	-	30
Performing Arts Club	-	1,730	1,308	-	-	422	-	-	422
Project Graduation	2,287	-	-	-	(2,287)	-	-	-	-
Project Graduation	10,035	250	8,824	-	(1,461)	-	-	-	-
Project Graduation	-	16,914	10,918	5,209	(100)	11,105	-	10,660	445
Prom	6,756	11,510	7,234	-	(10,000)	1,032	-	-	1,032
Class of 2012	10	-	-	-	(10)	-	-	-	-
Class of 2013	-	10,400	12,889	2,489	-	-	-	-	-
Recycling Club	-	578	397	14	-	195	-	-	195
Robotics Team	1	3,078	2,478	-	-	601	-	-	601
School Pictures	6,444	2,819	-	-	(3,000)	6,263	-	-	6,263
Soccer - Boys	1,677	6,077	3,869	3,000	(3,527)	3,358	-	-	3,358
Soccer - Girls	631	2,270	2,729	3,000	(1,365)	1,807	-	-	1,807
Softball	3,535	4,305	8,076	3,000	(760)	2,004	-	-	2,004
Tennis	-	-	3,000	3,000	-	-	-	-	-
Super Valu Receipts	4,631	718	2,341	-	(1,162)	1,846	-	-	1,846
Tutoring	22	100	-	-	(22)	100	-	-	100
Technical Education	39	-	-	-	(39)	-	-	-	-

Continued

**MCCRACKEN COUNTY BOARD OF EDUCATION
LONE OAK HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2013

	Cash		Disburse- ments	(Interfund Transfers)		Cash	Accounts	Accounts	Amounts
	Balances 7/1/2012	Receipts		To	From	Balances 6/30/2013	Receivable 6/30/2013	Payable 6/30/2013	Due to Student Groups 6/30/2013
Stage Renovation	-	350	-	-	-	350	-	-	350
ACT Reward Day	-	650	-	-	-	650	-	-	650
Swimming	501	-	1,139	1,000	-	362	-	-	362
Volleyball	-	8,412	10,428	3,000	(672)	312	-	-	312
World Language Club	-	1,223	1,223	1,162	(200)	962	-	-	-
Charitable Gaming 1895	28,797	167,323	178,835	-	-	17,285	-	-	17,285
Band-Boosters	5,902	4,079	9,916	-	-	65	-	-	65
Baseball-Boosters	97	2,497	2,594	-	-	-	-	-	-
Football-Boosters	18,682	15,802	31,916	-	-	2,568	-	-	2,568
Golf-Boosters	5,235	380	2,210	-	(1)	3,404	-	-	3,404
Soccer-Boosters	3,771	-	3,770	-	-	1	-	-	1
Tennis-Boosters	18,256	7,545	25,801	-	-	-	-	-	-
Volleyball-Boosters	6,033	13,683	12,088	-	-	7,628	-	-	7,628
Basketball-Boosters	500	1,779	2,279	-	-	-	-	-	-
Football Playoffs	25	4,605	3,424	-	-	1,206	-	-	1,206
Track	1,773	2,176	4,308	3,000	-	2,641	-	-	2,641
Chess Club	100	62	-	-	(162)	-	-	-	-
F.O.R. Club	65	-	-	-	-	65	-	-	65
Totals	\$ 243,220	\$ 625,298	\$ 723,562	\$ 161,919	\$ (161,919)	\$ 144,956	\$ -	\$ 12,530	\$ 131,464

**MCCRACKEN COUNTY BOARD OF EDUCATION
REIDLAND HIGH SCHOOL ACTIVITY FUNDS**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS

YEAR ENDED JUNE 30, 2013

	Cash		Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2013	Accounts Receivable 6/30/2013	Accounts Payable 6/30/2013	Amounts Due to Student Groups 6/30/2013
	Balances 7/1/2012	Receipts		To	From				
	Art Club	\$ 621		\$ 4,421	\$ 3,107				
AP Exams	-	8,109	8,109	-	-	-	-	-	-
Athletics	4,262	38,332	25,493	(385)	399	17,115	-	340	16,775
Attendance Incentives	-	1,000	935	-	-	65	-	-	65
Baseball	623	3,677	4,300	-	-	-	-	-	-
Basketball - Boys	12,010	640	12,559	-	-	91	-	-	91
Basketball - Girls	8,023	-	5,243	(2,780)	-	-	-	-	-
Beta Club	1,248	225	108	-	-	1,365	-	-	1,365
Big Red Pride	5	393	255	-	-	143	-	-	143
Chair Seats - Gym	16,179	-	9,485	-	-	6,694	-	-	6,694
Cheerleaders	25,888	70,186	91,165	-	-	4,909	-	4,250	659
Concessions	21	-	-	-	-	21	-	-	21
Dance Club/Team	776	910	1,680	-	-	6	-	-	6
DECA	174	-	-	-	-	174	-	-	174
District Tournament	-	2,704	1,827	(877)	-	-	-	-	-
Drinks	-	81	65	-	-	16	-	-	16
FBLA	290	125	403	-	-	12	-	-	12
FFA	891	21,117	19,677	-	170	2,501	-	500	2,001
FCCLA	2,017	3,590	4,735	(50)	2,077	2,899	-	-	2,899
Football	11,138	26,548	35,830	-	-	1,856	-	-	1,856
Game Club	283	120	117	(10)	-	276	-	-	276
General	7,865	33,098	38,850	(2,277)	3,310	3,146	-	85	3,061
Golf	1,223	-	865	-	-	358	-	-	358
Guidance	338	390	721	-	-	7	-	-	7
Home Economics	2	2,712	1,220	-	-	1,494	-	-	1,494
Instructional Music	3,581	-	3,507	-	-	74	-	-	74
Key Club	351	14	356	-	-	9	-	-	9
Library	3,381	485	5,308	(10)	1,452	-	-	-	-
Life Skills	-	320	202	-	-	118	-	-	118
Project Graduation	81	18,076	17,837	(1,000)	875	195	-	195	-
Prom	3,079	4,684	6,009	(875)	-	879	-	-	879
Regional Tournament	-	-	-	-	-	-	-	-	-
Science Club	71	48	115	-	-	4	-	-	4
Soccer - Boys	4,805	400	4,666	-	-	539	-	-	539
Soccer - Girls	13,845	-	4,027	-	-	9,818	-	-	9,818
Softball	4,183	30,051	33,373	(50)	3,442	4,253	-	3,657	596
Spanish	513	6,087	4,979	-	-	1,621	-	-	1,621
Student Council	1,989	3,887	5,780	(60)	50	86	-	-	86
Teacher Fund	5	-	-	-	-	5	-	-	5
Teaching Supplies	3,310	-	-	(3,310)	-	-	-	-	-
Tennis	1,057	4,895	5,937	-	-	15	-	-	15
Textbooks - Lost	987	-	-	-	-	987	-	-	987
Track	1,834	2,313	3,607	-	-	540	-	-	540
Vo-Agriculture	250	-	99	(151)	-	-	-	-	-
Vocal	217	-	100	-	-	117	-	-	117
Volleyball	7,319	665	5,192	-	-	2,792	-	-	2,792
Yearbook	5,506	36,685	23,767	-	-	18,424	-	-	18,424
Yearbook Investment	4,667	9	4,676	-	-	-	-	-	-
Biomedical	-	1,965	1,795	-	-	170	-	-	170
El Salvador Trip	-	4,745	4,745	-	-	-	-	-	-
Totals	<u>\$ 154,908</u>	<u>\$ 333,707</u>	<u>\$ 402,826</u>	<u>\$ (11,835)</u>	<u>\$ 11,835</u>	<u>\$ 85,789</u>	<u>\$ -</u>	<u>\$ 9,027</u>	<u>\$ 76,762</u>

See independent auditor's report on supplementary financial information.

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

Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the combined statement of receipts, disbursements and amounts due to student groups of the McCracken County Board of Education School Activity Funds as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCracken County Board of Education School Activity Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined statement of receipts, disbursements and due to student groups, but not for the purpose of expressing an opinion on the effectiveness of the McCracken County Board of Education School Activity Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the McCracken County Board of Education School Activity Funds' internal control over financial reporting.

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

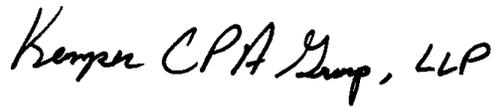
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McCracken County Board of Education School Activity Funds' combined statement of receipts, disbursements and amounts due to student groups are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kemper CPA Group, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants
Paducah, Kentucky
October 14, 2013

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS
SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2013**

Prior Findings

None.

**McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS**

MANAGEMENT LETTER

Year Ended June 30, 2013



Kentucky State Committee for School
District Audits
Members of the Board of Education
McCracken County Board of Education
Paducah, Kentucky

In planning and performing our audit of the financial statements of the McCracken County Board of Education School Activity Funds as of and for the year ended June 30, 2013, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of certain items that are immaterial instances of noncompliance and opportunities for strengthening internal controls and operating efficiency of the McCracken County Board of Education Activity Funds. The memorandum that follows this letter summarizes our comments and suggestions regarding these items. A separate report dated October 14, 2013, contains our 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*. This letter does not affect our report dated October 14, 2013, on the financial statements of the McCracken County Board of Education Activity Funds as of and for the year ended June 30, 2013.

The District's responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these items, or to assist you in implementing the recommendations.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, the School Board's management, audit committee, and members of the Board of Education of McCracken County School District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
October 14, 2013

ACTIVITY FUNDS

Kentucky Administrative Regulations (702 KAR 3:130) requires school activity funds to adhere to its “Accounting Procedures for Kentucky School Activity Funds”, commonly referred to as the “Redbook”. We noted various instances where activity fund records and accounting procedures were not maintained in accordance with the “Redbook” requirements. These items are noted in the remainder of this report.

Audit testing of school activity funds indicated several areas with opportunities for strengthening internal controls or operating efficiency which were present at more than one location.

ACTIVITY FUNDS

The matrix below indicates conditions noted at individual schools:

School Locations	Condition #								
	1	2	3	4	5	6	7	8	9
Heath Elementary					X				
Heath Middle					X				
Heath High			X						
Hendron Lone Oak Elementary			X					X	X
Lone Oak Elementary	X					X			
Lone Oak High			X			X			X
Reidland Elementary				X					
Reidland Middle							X		
Reidland High		X	X					X	
Concord Elementary									
Farley Elementary									
Lone Oak Middle									

Condition #1:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the use of Form F-SA-17 for concessions, bookstore, and pencil machine receipts. It also requires the use of Form F-SA-2B for fundraising activities.

Condition: During testing of receipts, we noted one instance where Forms F-SA-17 and Form F-SA-2B were not used for sales from bookstore and concessions or fundraising activities.

Cause: Misunderstanding of the purpose of Forms F-SA-17 and F-SA-2B.

Effect: The use of Forms F-SA-17 and F-SA-2B improves internal control by providing support for monies collected and documentation of the amount, date, and person collecting the funds.

Recommendations: We recommend Form F-SA-17 be used for concessions and bookstore sales and Form F-SA-2B be used for fundraising activities.

Board Response: The Board provides yearly Redbook training and will continue to do so. Staff will receive training to clarify and misunderstandings regarding which forms to use for fundraisers.

ACTIVITY FUNDS

Condition #2:

Criteria: Procedures for Kentucky School Activity Funds (“Redbook”) requires an employee, other than the person preparing the deposit slips, verify the amount on the deposit agrees with receipts recorded in the ledger and the deposit ticket has been stamped by the bank.

Condition: Deposit slips were not signed or initialed as reviewed before the deposits were taken to the bank.

Cause: Lack of understanding/implementation of Redbook policy for the item noted.

Effect: Inquiry of school treasurers indicated deposits were reviewed after the deposit receipt was returned to the school. However, we were unable to verify they were reviewed since the deposit slip contained no documentation of this.

Recommendations: We recommend deposit slips are initialed by the person performing the review of the deposit prior to it being taken to the bank.

Board Response: Every effort will be made to ensure another person verifies deposits before they are taken to the bank and will obtain assistance from non-finance personnel if the office is short-staffed.

Condition #3:

Criteria: Procedures for Kentucky School Activity Funds (“Redbook”) does not allow school activity funds to pay for basic routine operating expenses, renovations, maintenance of school facilities or buildings, faculty related items or parent volunteer items. Activity funds must be used for the benefit of the students.

Condition: In testing disbursements, we noted seven instances where the funds disbursed were not used for the sole benefit of the students, but were used for maintenance of a copier and laminator, coaches’ cards, sending coaches to the football state tournament, two instances of paying for meals for coaches meeting for district tournament, and teacher Christmas gifts.

Cause: Lack of understanding/implementation of Redbook policy for the items noted.

Effect: Expenditures that were not for the sole benefit of students reduced the amount of funds available for student purposes.

Recommendations: We recommend all activity fund expenditures be made to directly benefit students as required by Redbook.

Board Response: Funds not generated by students will be placed into separate accounts within the school activity fund. Only those funds will be used to make purchases that do not directly benefit students.

Condition #4:

Criteria: Procedures for Kentucky School Activity Funds (“Redbook”) requires invoices to have a confirmation signature of the person receiving the goods or services before the payment process can be continued.

Condition: During testing of disbursements, we noted one instance of an invoice not properly initialed for receipt of goods or services, or receipts not properly maintained by the treasurer.

Cause: Lack of understanding/implementation of Redbook policy for the one item noted.

Effect: Lack of supporting documentation of receipt of goods increases the risk of payment for goods or services that have not been ordered or received.

Recommendations: We recommend signing all invoices upon receipt of goods or services. We also recommend attaching receiving reports when applicable.

Board Response: Staff will obtain confirmation that all goods and services have been received before issuing a payment.

ACTIVITY FUNDS

Condition #5:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires all checks written on the activity fund account contain the signatures of the principal or his designee, and the school treasurer.

Condition: During our testing of disbursements, we noted two checks written contained only one signature.

Cause: Lack of implementation of Redbook policy for the two items noted.

Effect: The risk of unauthorized use of the activity fund account increases when procedures and policies are not followed.

Recommendations: We recommend all checks be signed by the principal or his designee and the treasurer in accordance with “Redbook” procedures.

Board Response: Staff will ensure that two signatures will be on every check.

Condition #6:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the use of Form F-SA-6 for teachers/sponsors/students when collecting money from students.

Condition: During our testing of receipts, we noted two instances where Form F-SA-6 was not used when collecting funds from students.

Cause: Lack of implementation of Redbook policy for the two items noted.

Effect: The lack of use of the Form F-SA-6 weakens internal controls which would otherwise provide support for funds collected and documentation of the amount, date, and person collecting the funds.

Recommendations: We recommend Form F-SA-6 be used when collecting funds from students.

Board Response: Staff will receive training to ensure those responsible for collecting funds from students use appropriate forms and procedures.

Condition #7:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the proper completion of a Transfer Form (Form F-SA-10) including sponsor of the remitting (paying) activity account and the principal authorizing the transfer.

Condition: We noted Transfer Forms did not include sponsor signatures. While we noted some instances of sponsor approval via email, we were unable to verify all transfers selected for our testing were properly approved.

Cause: Lack of understanding/implementation of Redbook policy.

Effect: Transfers may occur without sponsor knowledge and consent.

Recommendations: We recommend all Transfer Forms be signed by the sponsor of the remitting activity in accordance with “Redbook” procedures.

Board Response: Before making transfers, staff will ensure that consent is documented, either by direct signature or by attaching an email of approval to the transfer documentation.

ACTIVITY FUNDS

Condition #8:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states the schools are exempt from the payment of sales tax.

Condition: We noted two instances where sales tax was paid on school expenses.

Cause: Lack of implementation of Redbook policy for the two items selected.

Effect: Payment of sales tax on items purchased results in less funding available for students’ activities.

Recommendations: Authorized personnel making purchases on behalf of the school should utilize the school’s tax exemption certificate. Likewise, before reimbursements are made, receipts should be reviewed to ensure sales tax is not included in the reimbursement.

Board Response: Staff will use the school’s tax exempt certificate when making purchases. Also, reimbursements will be checked and sales tax will not be reimbursed.

Condition #9:

Criteria: Excess cash should be invested in accordance with the Board’s investment policy.

Condition: We noted during our testing of cash, two of the schools’ cash accounts were non-interest bearing checking accounts.

Cause: Lack of understanding/implementation of Board approved investment policy.

Effect: Activity funds are not maximizing the amount of interest they could earn.

Recommendations: We recommend the schools invest excess funds in interest-bearing accounts in accordance with Board approved policies.

Board Response: Schools will be required to work with the current bank to obtain interest-bearing accounts or will be required to change to a different bank to ensure compliance with Board policies.

ACTIVITY FUNDS

Prior Year Comments Still Present in the Current Year

Hendron Lone Oak Elementary

Prior Finding: We noted one instance where the funds disbursed were not used for the sole benefit of the students, but were used for maintenance of a laminator.

Prior Finding: We noted the schools' cash account was a non-interest bearing checking account. This has been corrected in fiscal year end June 30, 2014.

Reidland High School

Prior Finding: Unable to verify deposits were reviewed by an employee other than the person preparing the deposit slips before the deposits were taken to the bank.

Prior Finding: We noted one instance where the funds disbursed were not used for the sole benefit of the students, but were used for teacher Christmas gifts

Lone Oak High School

Prior Finding: We noted the schools' cash account was a non-interest bearing checking account. This item was subsequently corrected when Lone Oak High School became part of McCracken County High School.

We noted no fiscal year end June 30, 2013 recurrence of other prior year comments at schools having such comments in the prior year.