

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

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

**YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statement of receipts, disbursements and due to student groups of the McCracken County Board of Education School Activity Funds as of and for the year ended June 30, 2012. These financial statements are the responsibility of the McCracken County Board of Education's management. Our responsibility is to express an opinion on this combined financial statement 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 combined financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the combined financial statement referred to above was prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the combined financial statements present only the McCracken County Board of Education School Activity Funds and do not purport to, and do not, present fairly the financial position of McCracken County Board of Education, as of June 30, 2012, and the change in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such combined statement of receipts, disbursements and due to student groups present fairly, in all material respects, the receipts, disbursements and due to student groups of the McCracken County Board of Education School Activity Funds for the year ended June 30, 2012, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, 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, 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 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined statement of receipts, disbursements, and due to student groups taken as a whole. The accompany supplementary schedules of receipts, disbursements, and 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 due to student groups of the McCracken County Board of Education School Activity Funds. The accompanying supplemental information on pages 8 through 11 has been subjected to the auditing procedures applied in the audit of the combined statement of receipts, disbursements, and due to student groups and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 19, 2012

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

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

**YEAR ENDED JUNE 30, 2012**

	Cash	Disburse-	(Interfund Transfers)		Cash	Accounts	Accounts	Due to Student	
	Balances		Receipts	ments	To				From
	7/1/2011					6/30/2012	6/30/2012	6/30/2012	6/30/2012
<b>High Schools</b>									
Heath	\$ 20,900	\$ 202,264	\$ 202,923	\$ 20,951	\$ (20,951)	\$ 20,241	\$ -	\$ 348	\$ 19,893
Lone Oak	229,169	773,723	759,672	134,431	(134,431)	243,220	4,966	11,967	236,219
Reidland	209,369	296,995	351,456	48,506	(48,506)	154,908	910	21,991	133,827
<b>Middle Schools</b>									
Heath	21,570	198,673	186,101	2,450	(2,450)	34,142	-	-	34,142
Lone Oak	80,021	161,181	174,353	-	-	66,849	-	7,073	59,776
Reidland	29,008	69,916	72,044	3,546	(3,546)	26,880	-	3,777	23,103
<b>Elementary Schools</b>									
Concord	23,595	94,532	112,411	-	-	5,716	-	163	5,553
Farley	43,668	45,216	42,021	800	(800)	46,863	15	475	46,403
Heath	21,125	59,342	63,424	823	(823)	17,043	-	715	16,328
Hendron Lone Oak	70,218	203,129	189,792	42,828	(42,828)	83,555	40	5,978	77,617
Lone Oak	23,848	129,390	121,427	17,047	(17,047)	31,811	-	-	31,811
Reidland	40,659	27,883	27,784	1,027	(1,027)	40,758	-	-	40,758
<b>Totals</b>	<u>\$813,150</u>	<u>\$ 2,262,244</u>	<u>\$ 2,303,408</u>	<u>\$ 272,409</u>	<u>\$(272,409)</u>	<u>\$771,986</u>	<u>\$ 5,931</u>	<u>\$ 52,487</u>	<u>\$ 725,430</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, 2012, 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 \$771,986 and \$809,519, respectively. As of June 30, 2012, the Board’s Activity Funds bank balance was as follows:

Balance covered by FDIC insurance	\$ 588,519
Collateral held by pledging financial institutions’ trust department not in the Board’s name	221,000
Uncollateralized	<u>          -</u>
 Total	 <u>\$ 809,519</u>

**NOTE D – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 19, 2012 the date which the financial statements were available to be issued.

**SUPPLEMENTAL FINANCIAL INFORMATION**

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

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2012**

	Cash		(Interfund Transfers)		Cash	Accounts	Accounts	Due to Student	
	Balances 7/1/2011	Receipts	Disburse- ments	To	From	Balances 6/30/2012	Receivable 6/30/2012	Payable 6/30/2012	Groups 6/30/2012
Academic Club	\$ -	\$ -	\$ 651	\$ 651	\$ -	\$ -	\$ -	\$ -	\$ -
Art Club	410	1,219	740	-	-	889	-	-	889
Athletics	774	1,121	4,085	2,190	-	-	-	-	-
Band	-	-	125	125	-	-	-	-	-
Baseball	-	414	1,833	1,419	-	-	-	-	-
Basketball	436	25,990	23,389	-	(2,190)	847	-	-	847
Catering - Buc's	1	439	440	-	-	-	-	-	-
Cheerleader	8	1,223	892	-	-	339	-	-	339
Choir	-	-	217	217	-	-	-	-	-
Class of 2012	510	18,450	22,824	3,864	-	-	-	-	-
Class of 2013	-	6,410	5,219	-	-	1,191	-	-	1,191
Cross Country	-	483	1,806	1,323	-	-	-	-	-
Drama Club	7	-	-	-	(7)	-	-	-	-
Environmental Club	424	9,925	10,108	-	(50)	191	-	-	191
Pirates Island YSC	765	2,367	1,994	-	(670)	468	-	-	468
FBLA	-	13,364	13,110	-	(50)	204	-	-	204
Fellow Christian	7	282	-	-	(50)	239	-	-	239
FFA	1,436	8,287	8,237	20	(25)	1,481	-	348	1,133
FFA Purchase Region	-	10,175	10,175	-	-	-	-	-	-
Forensic Science	2	-	-	-	-	2	-	-	2
FCCLA	27	446	50	-	-	423	-	-	423
Friends of Rachel	358	7,831	8,314	800	(50)	625	-	-	625
Faculty Fund	514	1,781	2,144	-	-	151	-	-	151
Football	-	19,550	21,389	1,839	-	-	-	-	-
Four - H	43	40	-	-	-	83	-	-	83
General	564	20,670	5,313	13	(11,781)	4,153	-	-	4,153
Books & Trip	27	14,490	13,173	-	-	1,344	-	-	1,344
Golf	-	-	2,366	2,486	(120)	-	-	-	-
Home Economics	2	1,262	1,370	106	-	-	-	-	-
Library	441	2,585	1,239	-	(25)	1,762	-	-	1,762
National Honor Society	388	1,211	1,098	-	(200)	301	-	-	301
Pep Club	4	-	-	-	(4)	-	-	-	-
Pirata	13,649	8,095	13,590	300	(3,864)	4,590	-	-	4,590
Post	2	-	-	-	(2)	-	-	-	-
Soccer	-	7,179	7,074	879	(984)	-	-	-	-
Softball	-	868	3,113	2,245	-	-	-	-	-
Spanish Club	11	150	68	-	-	93	-	-	93
Student Council	90	1,539	1,282	-	-	347	-	-	347
Swim Team	-	-	592	592	-	-	-	-	-
Tennis	-	-	794	794	-	-	-	-	-
Tournament	-	8,665	7,906	120	(879)	-	-	-	-
Track	-	-	244	244	-	-	-	-	-
Volleyball	-	2,593	3,317	724	-	-	-	-	-
Wrestling	-	3,160	2,642	-	-	518	-	-	518
<b>Totals</b>	<u>\$ 20,900</u>	<u>\$202,264</u>	<u>\$ 202,923</u>	<u>\$20,951</u>	<u>\$(20,951)</u>	<u>\$ 20,241</u>	<u>\$ -</u>	<u>\$ 348</u>	<u>\$ 19,893</u>

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 DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2012**

	Cash		Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2012	Accounts Receivable 6/30/2012	Accounts Payable 6/30/2012	Due to Student Groups 6/30/2012
	Balances 7/1/2011	Receipts		To	From				
General Athletics	\$ 62,005	\$ 21,146	\$ 37,986	\$ 51,773	\$ (52,555)	\$ 44,383	\$ 4,247	\$ -	\$ 48,630
AP Exams	-	31,180	25,219	-	-	5,961	-	-	5,961
Annual (Yearbook)	11,031	9,876	9,287	-	-	11,620	-	-	11,620
Art	956	7,155	7,334	1,668	-	2,445	-	-	2,445
Baseball	551	5,308	4,721	2,500	(1,524)	2,114	-	-	2,114
Basketball - Boys	33	16,274	9,436	4,545	(10,712)	704	-	-	704
Basketball - Girls	-	13,192	11,720	3,555	(5,027)	-	-	-	-
Beta Club	790	7,911	7,849	-	(553)	299	-	-	299
El Salvador/Beta Club	-	29,166	32,397	3,853	(200)	422	-	-	422
Biology	4,179	480	34	-	-	4,625	-	-	4,625
Cheerleader	1,360	-	2,307	1,000	-	53	-	-	53
Choir	482	7,795	8,158	104	-	223	-	-	223
Classroom-Lab Fee	2,208	11,216	9,792	-	-	3,632	-	-	3,632
Daily Living Skills	1,186	1,041	1,369	-	-	858	-	-	858
District Tournament	2	7,392	1,821	-	(5,573)	-	-	-	-
Regional Tournament	2,994	1,659	1,965	5,233	(2,994)	4,927	-	-	4,927
District Tournament	45	-	-	-	(45)	-	-	-	-
Drink Fund / Teacher	3,705	8,293	4,161	-	(5,881)	1,956	-	-	1,956
FBLA	266	3,446	2,712	155	-	1,155	19	-	1,174
FCA	224	-	-	-	-	224	-	-	224
FFA	8,131	57,260	57,833	-	-	7,558	700	-	8,258
FCCLA	754	7,697	7,177	-	(155)	1,119	-	16	1,103
Football	-	26,777	31,280	25,000	(20,497)	-	-	-	-
Football Club	15	-	-	-	-	15	-	-	15
French Club	440	160	37	-	-	563	-	-	563
Spanish Club	776	1,258	1,361	-	(104)	569	-	-	569
General	8,280	24,023	20,951	2,832	(4,407)	9,777	-	-	9,777
Independence Bank	-	475	370	100	-	205	-	-	205
FACS	4,280	9,126	6,244	-	-	7,162	-	-	7,162
Golf	427	1,258	3,073	2,164	-	776	-	-	776
Key Club	1,796	-	750	-	(1,046)	-	-	-	-
KCID	-	2,200	4,161	2,096	(100)	35	-	-	35
Library	141	333	291	-	-	183	-	-	183
Lost Textbooks	88	186	-	-	-	274	-	-	274
Mustang Account	-	7,104	7,104	-	-	-	-	-	-
Math Club	1,235	180	15	-	-	1,400	-	-	1,400
Math Prep Session - AP	18	-	-	-	-	18	-	-	18
NSSP	60	-	-	-	-	60	-	-	60
Newspaper	1,065	395	392	-	-	1,068	-	-	1,068
"Outfield Outlaw" Club	-	483	483	-	-	-	-	-	-
Parking Fee	1,000	-	-	-	-	1,000	-	-	1,000
Pep Club	2	-	-	-	-	2	-	-	2
Petty Cash	30	-	-	-	-	30	-	-	30
Project Graduation	4,487	-	-	-	(2,200)	2,287	-	-	2,287
Project Graduation	253	511	-	-	(764)	-	-	-	-
Project Graduation	-	39,833	32,630	2,964	(132)	10,035	-	8,794	1,241
Prom	5,439	10,630	5,313	-	(4,000)	6,756	-	-	6,756
Class of 2011	782	-	-	-	(782)	-	-	-	-
Class of 2012	-	21,850	28,335	6,495	-	10	-	-	10
Robotics Team	218	1,009	1,283	57	-	1	-	-	1
School Pictures	3,953	2,491	-	-	-	6,444	-	-	6,444
Soccer - Boys	99	7,143	3,535	2,500	(4,530)	1,677	-	-	1,677
Soccer - Girls	612	2,715	4,827	2,500	(369)	631	-	-	631
Softball	556	3,341	1,976	2,500	(886)	3,535	-	-	3,535
Tennis	81	-	2,581	2,500	-	-	-	-	-
Super Valu Receipts	7,030	711	3,110	-	-	4,631	-	-	4,631
Tutoring	22	-	-	-	-	22	-	-	22
Technical Education	39	-	-	-	-	39	-	-	39

Continued

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

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2012**

	Cash		Disburse- ments	(Interfund Transfers)		Cash	Accounts	Accounts	Due to Student
	Balances 7/1/2011	Receipts		To	From	Balances 6/30/2012	Receivable 6/30/2012	Payable 6/30/2012	Groups 6/30/2012
Swimming	844	-	1,343	1,000	-	501	-	-	501
Volleyball	101	2,279	7,217	4,837	-	-	-	-	-
Charitable Gaming 1895	37,378	234,324	242,905	-	-	28,797	-	2,000	26,797
Band-Boosters	5,114	4,785	3,997	-	-	5,902	-	-	5,902
Baseball-Boosters	35	6,029	5,967	-	-	97	-	-	97
Football-Boosters	10,910	44,362	36,590	-	-	18,682	-	1,157	17,525
Golf-Boosters	3,071	3,406	78	-	(1,164)	5,235	-	-	5,235
Soccer-Boosters	5,164	5,253	6,646	-	-	3,771	-	-	3,771
Tennis-Boosters	18,431	29,485	29,660	-	-	18,256	-	-	18,256
Volleyball-Boosters	3,358	8,486	3,474	-	(2,337)	6,033	-	-	6,033
Basketball-Boosters	-	500	-	-	-	500	-	-	500
Football Playoffs	132	21,654	15,867	-	(5,894)	25	-	-	25
Track	406	1,415	2,548	2,500	-	1,773	-	-	1,773
Chess Club	34	66	-	-	-	100	-	-	100
F.O.R. Club	65	-	-	-	-	65	-	-	65
<b>Totals</b>	<b>\$ 229,169</b>	<b>\$ 773,723</b>	<b>\$ 759,672</b>	<b>\$ 134,431</b>	<b>\$ (134,431)</b>	<b>\$ 243,220</b>	<b>\$ 4,966</b>	<b>\$ 11,967</b>	<b>\$ 236,219</b>

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

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2012**

	Cash		Disburse- ments	(Interfund Transfers)		Cash	Accounts	Accounts	Due to Student
	Balances 7/1/2011	Receipts		To	From	Balances 6/30/2012	Receivable 6/30/2012	Payable 6/30/2012	Groups 6/30/2012
Art Club	\$ 134	\$ 1,741	\$ 1,254	\$ -	\$ -	\$ 621	\$ -	\$ -	\$ 621
AP Exams		5,568	6,320	752		-	-	-	-
Athletics	8,313	51,374	55,463	1,266	(1,228)	4,262	-	75	4,187
Baseball	4,543	-	7,514	3,594	-	623	-	288	335
Basketball - Boys	4,811	8,571	7,989	6,617	-	12,010	-	-	12,010
Basketball - Girls	7,246	529	5,560	5,808	-	8,023	-	77	7,946
Beta Club	920	390	62	-	-	1,248	-	-	1,248
Big Red Pride	-	310	305	-	-	5	-	-	5
Bingo Holding	36,919	-	-	-	(36,919)	-	-	-	-
Chair Seats - Gym	14,619	1,560	-	-	-	16,179	-	-	16,179
Cheerleaders	21,133	73,566	72,305	3,594	(100)	25,888	-	15,998	9,890
Concessions	1,468	9,878	5,222	400	(6,503)	21	-	-	21
Dance Club/Team	-	9,007	8,231	-	-	776	910	1,680	6
DECA	174	-	-	-	-	174	-	-	174
District Tournament	-	786	822	36	-	-	-	-	-
Drinks	319	476	795	-	-	-	-	-	-
FBLA	630	125	465	-	-	290	-	-	290
FFA	130	7,016	6,366	111	-	891	-	-	891
FCCLA	1,297	1,948	1,228	-	-	2,017	-	-	2,017
Football	4,830	11,707	8,993	3,594	-	11,138	-	1,753	9,385
Game Club	576	141	434	-	-	283	-	-	283
General	13,157	29,147	32,633	180	(1,986)	7,865	-	92	7,773
Golf	634	1,216	786	159	-	1,223	-	-	1,223
Guidance	235	215	112	-	-	338	-	-	338
Home Economics	271	2,542	2,889	78	-	2	-	-	2
Instructional Music	5,551	1,300	8,098	4,828	-	3,581	-	-	3,581
Key Club	153	1,780	1,582	-	-	351	-	-	351
Library	3,542	1,489	2,915	1,265	-	3,381	-	383	2,998
Project Graduation	210	19,819	19,502	899	(1,345)	81	-	-	81
Prom	2,911	4,700	4,532	-	-	3,079	-	-	3,079
Regional Tournament	-	-	-	-	-	-	-	-	-
Science Club	1,272	215	2,394	978	-	71	-	-	71
Soccer - Boys	5,577	-	4,696	3,924	-	4,805	-	366	4,439
Soccer - Girls	12,038	1,480	3,267	3,594	-	13,845	-	-	13,845
Softball	18,020	19,459	36,690	3,594	(200)	4,183	-	838	3,345
Spanish	-	10,428	9,915	-	-	513	-	-	513
Student Council	3,688	2,801	4,422	-	(78)	1,989	-	-	1,989
Teacher Fund	-	1,003	1,478	480	-	5	-	-	5
Teaching Supplies	3,753	3,024	3,467	-	-	3,310	-	-	3,310
Tennis	2,381	377	2,600	899	-	1,057	-	441	616
Textbooks - Lost	1,054	-	67	-	-	987	-	-	987
Track	1,809	300	1,173	898	-	1,834	-	-	1,834
Vo-Agriculture	2,274	3,114	5,027	-	(111)	250	-	-	250
Vocal	273	2,071	2,127	-	-	217	-	-	217
Volleyball	8,807	-	2,410	958	(36)	7,319	-	-	7,319
Yearbook	9,036	5,816	9,346	-	-	5,506	-	-	5,506
Yearbook Investment	4,661	6	-	-	-	4,667	-	-	4,667
<b>Totals</b>	<u>\$ 209,369</u>	<u>\$ 296,995</u>	<u>\$ 351,456</u>	<u>\$ 48,506</u>	<u>\$ (48,506)</u>	<u>\$ 154,908</u>	<u>\$ 910</u>	<u>\$ 21,991</u>	<u>\$ 133,827</u>

See independent auditor's report on supplementary financial information.

**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 the combined statement of receipts, disbursements and due to student groups of the McCracken County Board of Education School Activity Funds as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. 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*.

Internal Control Over Financial Reporting

Management of McCracken County Board of Education Activity Funds' is responsible for establishing and maintaining effective 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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 due to student groups are free of 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*.

We noted certain matters that we reported to management of the McCracken County Board of Education School Activity Funds, in a separate letter dated October 19, 2012.

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.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 19, 2012

**McCRACKEN COUNTY BOARD OF EDUCATION  
SCHOOL ACTIVITY FUNDS  
SCHEDULE OF PRIOR FINDINGS  
YEAR ENDED JUNE 30, 2012**

**Prior Findings**

None.

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

**MANAGEMENT LETTER**

**Year Ended June 30, 2012**



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, 2012, 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 19, 2012, 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 19, 2012, on the financial statements of the McCracken County Board of Education Activity Funds as of and for the year ended June 30, 2012.

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 19, 2012

## 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
Concord Elementary				X					
Farley Elementary			X		X				
Heath Elementary	X					X			
Hendron Lone Oak Elementary		X	X						X
Lone Oak Elementary	X		X						
Heath Middle		X		X					
Lone Oak Middle		X							
Lone Oak High						X	X		X
Reidland High		X	X	X				X	
Heath High									
Reidland Middle									
Reidland Elementary									

**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 two instances 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:* Staff will receive training to clarify any misunderstandings with 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:* Unable to verify deposits were reviewed by an employee other than the person preparing the deposit slips.

*Cause:* Deposit slips were not signed or initialed as reviewed.

*Effect:* Although deposits were reviewed per inquiry of school treasurers, 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 or parent volunteer items. Activity funds must be used for the benefit of the students.

*Condition:* In testing disbursements, we noted five instances where the funds disbursed were not used for the sole benefit of the students, but were used for maintenance to fix a school gate, coaches’ ethics class, faculty newspaper subscription, and parent volunteer expenses.

*Cause:* Expenditures not considered for the direct benefit of students were made from activity funds.

*Effect:* Expenditures that are not for the sole benefit of students reduce 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 three instances of invoices not properly initialed for receipt of goods or services, or receipts not properly maintained by the treasurer.

*Cause:* Supporting documentation was not properly maintained.

*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 credit cards be safeguarded and kept under lock and key to protect against unauthorized use. Cards may be checked out to individual employees using Credit Card Sign-In/Out Form (Form F-SA-13).

*Condition:* During our testing of disbursements, we noted one of the school’s credit cards was not kept under lock and key, and the Credit Card Sign-In/Out Form was not used.

*Cause:* Employees carried the credit card with them for school use, as needed.

*Effect:* The risk of unauthorized use of the credit card increases when procedures and policies are not followed.

*Recommendations:* We recommend all school credit cards be maintained under lock and key with utilization of the Credit Card Sign-In/Out Form in accordance with “Redbook” procedures.

*Board Response:* Staff will receive training and comply with Redbook recommendations.

### ***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 three instances where Form F-SA-6 was not used when collecting funds from students.

*Cause:* Form F-SA-6 was not used and provided to the school treasurers.

*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.

*Cause:* While we noted instances of sponsor approval via email, we were unable to verify all transfers selected for our testing were properly approved.

*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”) requires the school treasurer to prepare the Annual Financial Report by July 25 and review for accuracy by the principal. The report shall be signed by the school treasurer and the principal.

*Condition:* We noted the treasurer and the principal had not signed and dated the Annual Financial Report.

*Cause:* Treasurer and principal were both new to their positions and were not aware of the requirement to sign and date the Annual Financial Report.

*Effect:* Having the treasurer sign and date the report as prepared and the principal sign and date as reviewing the Annual Financial Report strengthens internal control over financial reporting and provides documentation that responsible parties are reviewing and accepting responsibility for the reports.

*Recommendations:* We recommend the treasurer and the principal sign and date the Annual Financial Report prior to submitting the report to the superintendent or finance officer.

*Board Response:* In this instance, both the principal and bookkeeper were new and had not yet received “Redbook” training. Since then, both have been trained and we do not anticipate that this will be an issue in the future.

**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:* Checking accounts were invested in non-interest bearing accounts.

*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

#### Lone Oak Elementary

Prior Finding: During testing of receipts, we noted instances where Forms F-SA-17 and Form F-SA-2B were not being used for sales from bookstore and concessions.

#### Heath Middle School

Prior Finding: During testing of disbursements we noted instances of no receipt or invoice for goods or services purchased.

#### Reidland High School

Prior Finding: We noted instances where expenditures not considered for the direct benefit of students were made from activity funds.

Our testing noted no such items on other conditions noted in the prior year at the applicable locations during the current year.