McCRACKEN COUNTY BOARD OF EDUCATION
SCHOOL ACTIVITY FUNDS

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEAR ENDED JUNE 30, 2005

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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 fund balances of the School Activity Funds of the McCracken County Board of Education as of and for the year ended June 30, 2005. These financial statements are the responsibility of McCracken County Board of Education's management. Our responsibility is to express an opinion on this combined statement of receipts, disbursements and fund balances 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 Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission". 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 to the combined financial statement, 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 generally accepted accounting principles. In addition, the financial statement presents only the School Activity Funds of the McCracken County Board of Education and are not intended to present fairly the financial position and results of operations of the McCracken County Board of Education in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such combined statement of receipts, disbursements and fund balances presents fairly, in all material respects, the receipts, disbursements and fund balances of the School Activity Funds of the McCracken County Board of Education for the year ended June 30, 2005, on the basis of accounting described in Note A.

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Kemper CPA Group LLP
Paducah, Kentucky
July 29, 2005

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MCCRACKEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
ANNUAL REPORT -- SCHOOL ACTIVITY FUNDS

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 97,110	$ 377,645	$ 397,654	$ 12,848	$ 3,305	$ 86,644	$ 6,690	$ 4,927	$ 88,407
Instruction	69,901	207,580	188,951	2,939	4,981	86,488	1,366	4,759	83,095
School council instruction funds	9,450	22,630	25,966	928	40	7,002	-	-	7,002
Academic clubs	84,512	184,878	209,586	13,269	3,863	69,210	-	238	68,972
Special events	47,839	172,570	155,842	3,699	12,478	55,788	-	21	55,767
Athletics	108,948	590,247	579,854	36,206	24,556	130,991	3,700	7,707	126,984
Bookstore	9,074	23,320	22,499	250	9	10,136	-	-	10,136
Miscellaneous	70,570	105,066	98,734	10,021	15,999	70,924	176	1,092	70,008
Library	7,161	13,352	14,709	2,002	-	7,806	-	60	7,746
Concessions	16,169	51,826	35,796	-	16,931	15,268	40	-	15,308
Totals	$ 520,734	$ 1,749,114	$ 1,729,592	$ 82,162	$ 82,162	$ 540,256	$ 11,972	$ 18,804	$ 533,424

See accompanying independent auditor's report and notes to combined statement of receipts, disbursements and fund balances.

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, which constitute a component unit of Education (the "Department") 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 Department as set forth in its publication "Accounting Procedures for Kentucky School Activity Funds". The Activity Funds maintain its 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. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

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 student, 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

At year end, the carrying amount of the Activity Fund's cash and cash equivalents was $548,335 and the financial institution's balance of the Activity Fund's deposits with financial institutions was $585,342. The Activity Fund's cash deposits are categorized in accordance with risk factors created by governmental reporting purposes as follows:

	Category 1	Category 2	Category 3	Category 4	Total	Carrying Amount
Cash Deposits	$ 305,836	$ 0	$ 28,444	$ 251,062	$ 585,342	$ 548,335

Category #1 includes deposits covered by depository insurance or collateral held by the Activity Fund or by its agent in the Activity Fund's name.

Category #2 includes deposits covered by collateral held by the financial institutions' trust department or agent in the Activity Fund's name.

Category #3 includes deposits, which are secured by collateral held by the financial institutions' trust department or agent, but not in the Activity Fund's name.

Category #4 includes deposits which are not covered by collateral.

SUPPLEMENTAL FINANCIAL INFORMATION

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CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

Our report on our audit of the combined statement of receipts, disbursements and fund balances of the School Activity Funds of the McCracken County Board of Education for the year ended June 30, 2005 appears on page 1. We conducted our audit for the purpose of forming an opinion on the combined statement of receipts, disbursements and fund balances taken as a whole. The supplementary schedules of receipts, disbursements and fund balances by school and by activity are presented for the purpose of additional analysis and are not a required part of the combined statement of receipts, disbursements and fund balances. These supplementary schedules are the responsibility of the Board's management. Such supplementary schedules have been subjected to the auditing procedures applied in our audit of the combined statement of receipts, disbursements and fund balances and, in our opinion, are fairly stated in all material respects, on the basis of accounting discussed in Note A to combined statement of receipts, disbursements and fund balances.

Kemper CPA Group LLP
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Paducah, Kentucky
July 29, 2005

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MCCRACKEN COUNTY BOARD OF EDUCATION

HEATH HIGH SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 11,601	$ 19,303	$ 21,119	$ -	$ -	$ 9,785	$ -	$ 77	$ 9,708
Instruction	5,065	3,294	4,848	805	364	3,952			3,952
Student council and class funds	6,098	16,927	19,670	638	40	3,953			3,953
Academic and similar clubs	17,787	42,601	48,671	6,371	288	17,800		238	17,562
Special events	15,142	49,666	55,457	280	1,000	8,631			8,631
Athletics									
Athletics	8,846	23,525	16,627	-	2,433	13,311			13,311
Baseball	-	8,569	10,225	1,656	-	-			-
Basketball	17,256	52,938	53,960	-	8,551	7,683			7,683
Cheerleaders	326	12,990	11,124	319	-	2,511			2,511
Football	2,314	18,587	20,026	319	-	1,194			1,194
Golf	-	-	1,817	1,817	-	-			-
Pep Club	-	-	-	-	-	-			-
Soccer	5,429	41,694	45,343	893	-	2,673			2,673
Softball	-	252	3,552	3,300	-	-			-
Swim Team	-	-	562	562	-	-			-
Tennis	-	-	1,242	1,242	-	-			-
Tournament	-	18,711	14,927	-	3,784	-			-
Track	-	1,122	3,193	2,071	-	-			-
Volleyball	-	1,675	5,023	3,348	-	-			-
Weight Room	-	1,500	1,333	-	-	167			167
Total Athletics	34,171	181,563	188,954	15,527	14,768	27,539	-	-	27,539
Bookstore	-	-	-	-	-	-	-	-	-
Miscellaneous	7,989	22,152	21,599	46	1,200	7,388	-	-	7,388
Library	442	897	1,426	1,000	-	913	-	-	913
Concessions	35	19,106	11,915	-	7,007	219	-	-	219
Totals	$ 98,330	$ 355,509	$ 373,659	$ 24,667	$ 24,667	$ 80,180	$ -	$ 315	$ 79,865

MCCRACKEN COUNTY BOARD OF EDUCATION

LONE OAK HIGH SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ -	$ 30,216	$ 36,046	$ 6,004	$ -	$ 174	$ -	$ -	$ 174
Instruction	4,964	24,265	23,363	200	373	5,693	-	-	5,693
Student council and class funds	-	-	-	-	-	-	-	-	-
Academic and similar clubs	40,758	72,362	80,461	3,821	3,322	33,158	-	-	33,158
Special events	9,197	36,374	25,994	2,660	6,568	15,669	-	-	15,669
Athletics									
Baseball	-	2,990	2,369	-	26	595	-	-	595
Basketball	3,764	52,389	57,101	948	-	-	-	-	-
Cheerleader	763	11,136	11,235	-	-	664	-	-	664
District Tournament	-	4,215	3,507	-	708	-	-	-	-
Football	2,785	25,678	23,182	-	1,436	3,845	-	-	3,845
General Athletics	-	11,539	16,359	4,820	-	-	-	-	-
Golf	-	-	661	661	-	-	-	-	-
Pep Club	7	554	536	-	-	25	-	-	25
Soccer	-	4,695	4,127	-	568	-	-	-	-
Softball	-	1,693	3,347	1,654	-	-	-	-	-
Tennis	-	-	-	-	-	-	-	-	-
Track	-	-	-	-	-	-	-	-	-
Volleyball	-	2,582	3,395	813	-	-	-	-	-
Total Athletics	7,319	117,471	125,819	8,896	2,738	5,129	-	-	5,129
Bookstore	-	1,107	1,000	-	9	98	-	-	98
Miscellaneous	9,447	2,842	3,182	-	5,750	3,357	-	278	3,079
Library	648	1,299	1,424	-	-	523	-	-	523
Concessions	974	5,758	3,911	-	2,821	-	-	-	-
Totals	$ 73,307	$ 291,694	$ 301,200	$ 21,581	$ 21,581	$ 63,801	$ -	$ 278	$ 63,523

MCCRACKEN COUNTY BOARD OF EDUCATION

REIDLAND HIGH SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 3,559	$ 30,845	$ 31,221	$ -	$ 1,905	$ 1,278	$ -	$ -	$ 1,278
Instruction	17,237	38,096	32,424	90	-	22,999	-	-	22,999
Student council and class funds	2,292	4,006	4,402	190	-	2,086	-	-	2,086
Academic and similar clubs	11,636	50,371	54,699	3,077	3	10,382	-	-	10,382
Special events	13,743	55,867	53,860	759	90	16,419	-	-	16,419
Athletics									
Athletics	17,469	39,997	31,679	-	6,273	19,514	-	-	19,514
Baseball	1,077	13,350	13,060	500	-	1,867	-	-	1,867
Basketball boys	-	13,965	14,678	750	-	37	-	-	37
Basketball girls	2,483	10,723	7,085	750	-	6,871	-	-	6,871
Big Red Pride	410	160	456	-	-	114	-	-	114
Cheerleaders	4,686	64,437	59,439	500	-	10,184	-	193	9,991
District Tournament	-	6,627	5,900	-	727	-	-	-	-
Fellowship of Christian Athletes	593	819	889	-	-	523	-	-	523
Field	248	-	1,116	3,000	-	2,132	-	-	2,132
Football	5,126	13,270	16,391	1,783	-	3,788	-	144	3,644
Golf	-	148	350	500	-	298	-	-	298
Regional Tournament	-	-	-	-	-	-	-	-	-
Semi-State Baseball	-	-	-	-	-	-	-	-	-
Soccer boys	96	10,950	3,220	750	-	8,576	-	-	8,576
Soccer girls	2,069	15,883	10,167	750	-	8,535	-	-	8,535
Softball	820	14,946	13,200	500	-	3,066	-	1,416	1,650
Tennis	5,264	148	1,079	500	-	4,833	-	-	4,833
Track	4,032	148	2,695	500	-	1,985	-	-	1,985
Total Athletics	44,373	205,571	181,404	10,783	7,000	72,323	-	1,753	70,570
Bookstore	-	-	-	-	-	-	-	-	-
Miscellaneous	8,365	2,230	48	-	-	10,547	-	-	10,547
Library	1,721	943	2,228	1,002	-	1,438	-	-	1,438
Concessions	9,930	12,419	8,131	-	6,903	7,315	-	-	7,315
Totals	$ 112,856	$ 400,348	$ 368,417	$ 15,901	$ 15,901	$ 144,787	$ -	$ 1,753	$ 143,034

MCCRACKEN COUNTY BOARD OF EDUCATION

HEATH MIDDLE SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 902	$ 22,878	$ 25,647	$ 4,240	$ -	$ 2,373	$ -	$ 52	$ 2,321
Instruction	2,345	3,911	3,847	-	-	2,409	-	-	2,409
Student council and class funds	1,060	1,697	1,894	100	-	963	-	-	963
Academic and similar clubs	2,206	4,893	4,686	-	-	2,413	-	-	2,413
Special events	77	-	-	-	77	-	-	-	-
Athletics	3,308	46,176	44,593	1,000	-	5,891	-	40	5,851
Bookstore	216	3,820	3,448	-	-	588	-	-	588
Miscellaneous	940	15,010	6,600	-	5,063	4,287	-	-	4,287
Library	322	3,657	3,458	-	-	521	-	-	521
Concessions	337	2,226	1,490	-	200	873	-	-	873
Totals	$ 11,713	$ 104,268	$ 95,663	$ 5,340	$ 5,340	$ 20,318	$ -	$ 92	$ 20,226

MCCRACKEN COUNTY BOARD OF EDUCATION

LONE OAK MIDDLE SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 22,069	$ 120,910	$ 121,068	$ -	$ -	$ 21,911	$ 74	$ 3,450	$ 18,535
Instruction	15,961	30,234	28,212	-	-	17,983	-	160	17,823
Student council and class funds	-	-	-	-	-	-	-	-	-
Academic and similar clubs	11,361	14,651	20,844	-	250	4,918	-	-	4,918
Special events	393	3,339	3,523	-	-	209	-	21	188
Athletics	10,073	23,413	20,305	-	-	13,181	-	1,832	11,349
Bookstore	971	4,330	4,849	250	-	702	-	-	702
Miscellaneous	3,836	69	1,989	-	-	1,916	176	-	2,092
Library	2,478	4,492	4,991	-	-	1,979	-	-	1,979
Concessions	1,173	479	622	-	-	1,030	-	-	1,030
Totals	$ 68,315	$ 201,917	$ 206,403	$ 250	$ 250	$ 63,829	$ 250	$ 5,463	$ 58,616

MCCRACKEN COUNTY BOARD OF EDUCATION

REIDLAND MIDDLE SCHOOL ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 12,307	$ 36,144	$ 31,988	$ -	$ -	$ 16,463	$ -	$ -	$ 16,463
Instruction	2,711	8,954	9,618	-	-	2,047	-	-	2,047
Student council and class funds	-	-	-	-	-	-	-	-	-
Academic and similar clubs	764	-	225	-	-	539	-	-	539
Special events	2,427	8,898	7,301	-	-	4,024	-	-	4,024
Athletics	9,704	16,053	18,779	-	50	6,928	3,700	4,082	6,546
Bookstore	-	-	-	-	-	-	-	-	-
Miscellaneous	110	826	740	50	-	246	-	-	246
Library	373	58	20	-	-	411	-	-	411
Concessions	112	8,154	5,141	-	-	3,125	-	-	3,125
Totals	$ 28,508	$ 79,087	$ 73,812	$ 50	$ 50	$ 33,783	$ 3,700	$ 4,082	$ 33,401

MCCRACKEN COUNTY BOARD OF EDUCATION

COMBINED ELEMENTARY SCHOOL AND OTHER ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

YEAR ENDED JUNE 30, 2005

Accounts:	Cash (overdraft) Balances July 1, 2004	Receipts	Disbursements	(Interfund Transfers) To	(Interfund Transfers) From	Cash (overdraft) Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund (deficit) Balances June 30, 2005
General	$ 46,672	$ 117,349	$ 130,565	$ 2,604	$ 1,400	$ 34,660	$ 6,616	$ 1,348	$ 39,928
Instruction	21,618	98,826	86,639	1,844	4,244	31,405	1,366	4,599	28,172
School council instruction funds	-	-	-	-	-	-	-	-	-
Academic clubs	-	-	-	-	-	-	-	-	-
Special events	6,860	18,426	9,707	-	4,743	10,836	-	-	10,836
Athletics	-	-	-	-	-	-	-	-	-
Bookstore	7,887	14,063	13,202	-	-	8,748	-	-	8,748
Miscellaneous	39,883	61,937	64,576	9,925	3,986	43,183	-	814	42,369
Library	1,177	2,006	1,162	-	-	2,021	-	60	1,961
Concessions	3,608	3,684	4,586	-	-	2,706	40	-	2,746
Totals	$ 127,705	$ 316,291	$ 310,438	$ 14,373	$ 14,373	$ 133,558	$ 8,022	$ 6,821	$ 134,759

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 fund balances of the School Activity Funds of the McCracken County Board of Education as of and for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. 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 the School Activity Funds of the McCracken County Board of Education's combined statement of receipts, disbursements and fund balance are free of material misstatement, we performed tests of its compliance with certain provision 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. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School Activity Funds of the McCracken County Board of Education in a separate letter dated July 29, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Activity Funds of the McCracken County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined statement of receipts, disbursements and fund balances 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 combined statement of receipts, disbursements and fund balances 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the School Activity Funds of the McCracken County Board of Education in a separate letter dated July 29, 2005.

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This report is intended solely for the information of the Kentucky State Committee for School District Audits, the School Board's management, audit committee, and members of the Board of Education of McCracken County School District.

Kemper CPA Group LLP

Kemper CPA Group LLP
Paducah, Kentucky
July 29, 2005