

**WILMOT UNION HIGH SCHOOL DISTRICT
WILMOT, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2004

WILMOT UNION HIGH SCHOOL DISTRICT

Wilmot, Wisconsin

June 30, 2004

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WILMOT UNION HIGH SCHOOL DISTRICT

Wilmot, Wisconsin

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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**

To the Board of Education
Wilmot Union High School District
Wilmot, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmot Union High School District ("the District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

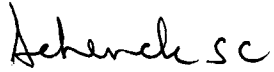
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the special education and special projects special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountants
Milwaukee, Wisconsin
October 14, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILMOT UNION HIGH SCHOOL DISTRICT

P.O. BOX 8
11112 308TH AVENUE
WILMOT, WISCONSIN 53192-0008

Management's Discussion and Analysis June 30, 2004

As management of the Wilmot Union High School District we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. The Wilmot Union High School District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as of July 1, 2003. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

Financial Highlights

- The assets of the District exceeded its liabilities as of June 30, 2004 by \$7,085,342 (*net assets*).
- The District's total net assets decreased by \$1,127,663. Several factors contributed to the overall decrease as follows:
 - Unallocated Depreciation of buildings and capital equipment
 - Accrued Interest of building project debt incurred during 2003-2004.
- The property tax rate rose 2.97% per \$1,000 of property value for the year ended June 30, 2004.
- As of June 30, 2004, the District's governmental funds (excluding the debt service fund and capital projects fund) reported combined ending fund balances of \$3,160,684, an increase of \$317,965 in comparison with the prior year. Approximately 100% of this total amount, \$3,160,684 is *available for spending* at the District's discretion (*unreserved fund balance*).
- As of June 30, 2004, unreserved fund balance for the general fund was \$3,160,684, or approximately 34% of total general fund expenditures.
- The District's total general-obligation debt increased by \$37,810,000 during 2004. The key factor in this increase was the issuance of \$39,000,000 in General Obligation Bonds to finance a building project approved by referendum in April, 2004.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.)

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include the District's basic services, such as regular and special education and various support services. The business-type activities of the District include the District Food Service Program.

The district-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special education fund, debt service fund, capital projects fund, and cooperative program fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for all its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary funds. The District maintains a single type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the district-wide financial statements. The District uses enterprise funds to account for its Food Service Fund.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service fund which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22-35 of this report.

District-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,085,342 at the close of June 30, 2004.

Wilmot Union High School District's Net Assets			
	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
Current and other assets	82,823,169	0	82,823,169
Capital assets	7,354,173	53,521	7,407,694
Total assets	<u>90,177,342</u>	<u>53,521</u>	<u>90,230,863</u>
Long-term liabilities outstanding	41,596,983	0	41,596,983
Other liabilities	41,548,538	0	41,548,538
Total liabilities	<u>83,145,521</u>	<u>0</u>	<u>83,145,521</u>
Net assets:			
Invested in capital assets, net of related debt	7,328,358	53,521	7,381,879
Restricted	78,947,561	0	78,947,561
Unrestricted	<u>(79,244,098)</u>	<u>0</u>	<u>(79,175,315)</u>
Total net assets	<u>7,031,821</u>	<u>53,521</u>	<u>7,085,342</u>

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Wilmot Union High School District's Change in Net Assets			
	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	128,197	242,669	370,866
Operating grants and contributions	505,883	79,847	585,730
Capital grants and contributions	0	0	0
General revenues:			
Property taxes	5,430,945	0	5,430,945
Other taxes	0	0	0
Grants and contributions not restricted to specific programs	4,770,494	0	4,770,494
Other	292,594	0	292,594
Total revenues	11,128,113	322,516	11,450,629
Expenses:			
Instruction	6,558,121	0	6,558,121
Pupil and instructional services	1,219,855	0	1,219,855
Administration and business services	913,694	0	913,694
Maintenance and operations	1,031,606	0	1,031,606
Transportation	393,792	0	393,792
Community service	0	0	0
Interest on long-term debt	958,677	0	958,677
Food Service Program	0	341,669	341,669
Name of proprietary program			
Other	1,415,551	0	1,415,551
Total expenses	12,236,623	341,669	12,578,292
Increase in net assets before transfers			
Transfers	(13,346)	13,346	0
Increase in net assets	(1,121,856)	(5,807)	(1,127,663)
Net assets - July 1, 2003	8,153,677	59,328	8,213,005
Net assets - June 30, 2004	7,031,821	53,521	7,085,342

- General revenues increased by approximately \$717,000 during the year. Most of this increase came from the following areas: \$589,000 from property taxes, \$126,000 in General State Aid, and \$44,000 from gifts, grants, and students fees.
- Property taxes increased by \$589,000 (12.24%) during the year. Most of this increase was directed toward the following principal areas: \$204,000 for regular instruction, \$96,000 for vocational instruction, and \$96,000 for special education.
- Operating grants for governmental activities increased by \$18,993, primarily as a result of departments seeking additional state or federal monies to support their programs.
- Investment earnings decreased by \$11,581, primarily due to declining interest rates.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2004, the District's governmental funds reported combined ending fund balances of \$82,039,462, an increase of \$70,311,718 in comparison with the prior year. Approximately .4% of this amount (\$326,011) constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for current year purchases of inventory and prepayments that benefit periods beyond the end of the current year (\$68,783), and 2) for a variety of other restricted purposes (\$81,644,266).

The general fund is the main operating fund of the District. At the end of the current year, unreserved fund balance of the general fund was \$326,011, while total fund balance reached \$3,160,684. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of total general fund expenditures, while total fund balance represents 34% of that same amount.

The fund balance of the District's general fund increased \$317,965 during the current year. Key factors in this growth are as follows:

- Actual revenues exceed budgeted revenues by \$74,354
- Actual expenses were less than budgeted expenses by \$243,611

The Debt Service Fund has a total fund balance of \$41,013,096. Of this fund balance, \$4,981 is unreserved and \$41,008,115 is reserved for refinancing.

The Capital Projects Fund has a total fund balance of \$37,865,682. The entire fund balance is reserved for the construction of assets.

Proprietary funds. The District's proprietary funds provide the same type of information found in the District's district-wide financial statements, but in more detail.

Unrestricted net assets of the Food Service Fund at the end of the year amounted to \$53,521. The total reduction in net assets was \$5,807 and was due to accumulated depreciation.

Other factors concerning the finances of this has already been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

Generally the original budget is rarely modified. The District did not modify its original budget for 2003/2004.

During the year, actual revenues exceeded budgeted revenues by \$74,354 primarily in inter-district payments, gifts, grants, and refund of prior year expenditures. Actual expenditures were less than budgeted expenditures by \$243,611 primarily in general administration, school administration, and operations and maintenance of plant.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$7,354,173 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, and vehicles. The total decrease in the District's investment in capital assets for the current year was \$443,233 or 5.7%% under last year.

Major capital assets acquired or constructed during the year include:

- 2004 GMC Savana Passenger Van - \$20,731

Wilmot Union High School District's Capital Assets (net of accumulated depreciation)						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 688,812	\$ 688,812	\$ -	\$ -	\$ 688,812	\$ 688,812
Land improvements	17,802	19,334	-	-	17,802	19,334
Buildings	6,159,046	6,509,908	-	-	6,159,046	6,509,908
Machinery and equipment	469,078	669,005	53,521	59,328	522,599	728,333
Vehicles	19,435	-	-	-	19,435	-
Total	\$ 7,354,173	\$ 7,791,599	\$ 53,521	\$ 59,328	\$ 7,407,694	\$ 7,850,927

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$39,900,000.

Wilmot Union High School District's Outstanding Debt General Obligation Debt, Leases, and Early Retirement Payable						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation debt:						
Bonds	\$39,900,000	\$ 2,090,000	\$ -	\$ -	\$39,900,000	\$ 2,090,000
Total general obligation debt	39,900,000	2,090,000	-	-	39,900,000	2,090,000
Bond anticipation note	39,900,000	-	-	-	39,900,000	2,090,000
Leases	25,815	200,695	-	-	25,815	200,695
Early retirement incentive payable	586,131	165,054	-	-	586,131	165,054
Total	\$80,411,946	\$ 2,455,749	\$ -	\$ -	\$80,411,946	\$ 2,455,749

The District's total debt increased by \$37,810,000 during the current fiscal year. The key factor in this increase was the issuance of \$39,900,000 for General Obligation bonds for a major building project approved at a April, 2004 referendum.

The District maintains a A1 rating from Moody's Investors Service for its general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 5% of its total equalized valuation. The current debt limitation for the District is \$77,045,915, which is significantly in excess of the District's \$39,900,000 in outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in our region compare favorably to national indices.
- Enrollment trends continue to add students to our enrollment count. Enrollment is currently increasing at the average annual rate of 3.05%.
- During the current year, unreserved fund balance in the general fund increased to \$3,160,684. The District has appropriated \$0 of this amount for spending in the 2004-2005 fiscal year budget.
- The labor contract between the Wilmot Union High School District and the Wilmot School Employees Association expired on June 30, 2004.
- The District issued \$39,900,000 in General Obligation Bonds for the construction of a major addition to the High School facilities. Bond payments for this debt service will begin in the 2004-2005 fiscal year and will have a major impact on the tax levy.

All of these factors were considered in preparing the District's budget for the 2004-2005 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David J. Betz, Business Manager, Wilmot Union High School District, 11112 308th Avenue, Wilmot, WI 53192 (262) 862-9005.

BASIC FINANCIAL STATEMENTS

Wilmot Union High School

Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Current Assets			
Cash and investments	\$ 80,923,412	\$ -	\$ 80,923,412
Receivables:			
Taxes	1,750,571	-	1,750,571
Accounts	12,696	-	12,696
Internal balances	5,001	(5,001)	-
Due from other governments:			
Federal	18,039	5,001	23,040
State	88,038	-	88,038
Other	22,920	-	22,920
Inventories and prepaid items	2,492	-	2,492
Total Current Assets	82,823,169	-	82,823,169
Noncurrent Assets			
Land	688,812	-	688,812
Land improvements	95,460	-	95,460
Buildings	12,770,104	-	12,770,104
Machinery and equipment	1,436,481	114,597	1,551,078
Vehicles	20,731	-	20,731
Less: accumulated depreciation	(7,657,415)	(61,076)	(7,718,491)
Total Noncurrent Assets	7,354,173	53,521	7,407,694
TOTAL ASSETS	90,177,342	53,521	90,230,863
LIABILITIES			
Current Liabilities			
Current portion of long-term obligations	39,919,894	-	39,919,894
Short-term notes payable	660,000	-	660,000
Accounts payable	99,376	-	99,376
Accrued payroll liabilities	15,479	-	15,479
Accrued interest payable	850,429	-	850,429
Due to other governments	3,360	-	3,360
Total Current Liabilities	41,548,538	-	41,548,538
Noncurrent Liabilities			
Bond premiums, net	1,104,931	-	1,104,931
Noncurrent portion of long-term obligations	40,492,052	-	40,492,052
	41,596,983	-	41,596,983
TOTAL LIABILITIES	83,145,521	-	83,145,521
NET ASSETS			
Invested in capital assets, net of related debt	7,328,358	53,521	7,381,879
Restricted for:			
Encumbrances	68,783	-	68,783
Debt service	41,013,096	-	41,013,096
Unrestricted	(41,378,416)	-	(41,378,416)
TOTAL NET ASSETS	\$ 7,031,821	\$ 53,521	\$ 7,085,342
TOTAL LIABILITIES AND NET ASSETS	\$ 90,177,342	\$ 53,521	\$ 90,230,863

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Activities
Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities						
Instruction						
Regular instruction	\$ 3,689,434	\$ 57,492	\$ 51,446	\$ (3,580,496)	\$ -	\$ (3,580,496)
Vocational instruction	926,814	6,820	23,951	(896,043)	-	(896,043)
Special education instruction	1,036,119	-	335,693	(700,426)	-	(700,426)
Other instruction	905,754	62,360	17,600	(825,794)	-	(825,794)
Total Instruction	<u>6,558,121</u>	<u>126,672</u>	<u>428,690</u>	<u>(6,002,759)</u>	<u>-</u>	<u>(6,002,759)</u>
Support Services						
Student services	846,705	-	34,428	(812,277)	-	(812,277)
Instructional staff services	373,150	-	3,258	(369,892)	-	(369,892)
General administration services	305,183	-	-	(305,183)	-	(305,183)
School administration services	423,945	-	-	(423,945)	-	(423,945)
Business services	184,566	1,525	-	(183,041)	-	(183,041)
Operation and maintenance of plant	1,031,606	-	-	(1,031,606)	-	(1,031,606)
Student transportation	393,792	-	39,507	(354,285)	-	(354,285)
Central services	134,381	-	-	(134,381)	-	(134,381)
Insurance	83,746	-	-	(83,746)	-	(83,746)
Other support services	36,546	-	-	(36,546)	-	(36,546)
Interest on debt	958,677	-	-	(958,677)	-	(958,677)
Depreciation - unallocated	452,930	-	-	(452,930)	-	(452,930)
Total Support Services	<u>5,225,227</u>	<u>1,525</u>	<u>77,193</u>	<u>(5,146,509)</u>	<u>-</u>	<u>(5,146,509)</u>
Non-program						
General tuition payments	320,673	-	-	(320,673)	-	(320,673)
Special education instruction	131,936	-	-	(131,936)	-	(131,936)
Other nonprogram	666	-	-	(666)	-	(666)
Total Non-program	<u>453,275</u>	<u>-</u>	<u>-</u>	<u>(453,275)</u>	<u>-</u>	<u>(453,275)</u>
Total Governmental Activities	<u>12,236,623</u>	<u>128,197</u>	<u>505,883</u>	<u>(11,602,543)</u>	<u>-</u>	<u>(11,602,543)</u>
Business-Type Activity						
School food service program	341,669	242,669	79,847	-	(19,153)	(19,153)
Total Business-Type Activities						
					(19,153)	(19,153)
Total School District	<u>\$ 12,578,292</u>	<u>\$ 370,866</u>	<u>\$ 585,730</u>	<u>(11,602,543)</u>	<u>(19,153)</u>	<u>(11,621,696)</u>
General revenues						
Property taxes, levied for general purposes				5,221,535	-	5,221,535
Property taxes, levied for debt service				209,410	-	209,410
State and federal aids not restricted to specific functions				4,770,494	-	4,770,494
Interest and investment earnings				22,315	-	22,315
Miscellaneous				270,279	-	270,279
Transfers				(13,346)	13,346	-
Total general revenues and transfers				<u>10,480,687</u>	<u>13,346</u>	<u>10,494,033</u>
Change in net assets				(1,121,856)	(5,807)	(1,127,663)
Net assets - beginning of year				8,153,677	59,328	8,213,005
Net assets - end of year				<u>\$ 7,031,821</u>	<u>\$ 53,521</u>	<u>\$ 7,085,342</u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Balance Sheet -
Governmental Funds
June 30, 2004

	General	Special Education	Debt Service	Capital Projects	Cooperative Program	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,007,867	\$ -	\$ 41,013,096	\$ 37,902,449	\$ -	\$ 80,923,412
Receivables:						
Taxes	1,750,571	-	-	-	-	1,750,571
Accounts	12,696	-	-	-	-	12,696
Due from other funds	53,135	-	-	-	-	53,135
Due from other governments:						
Federal	18,039	-	-	-	-	18,039
State	88,038	-	-	-	-	88,038
Other	6,285	5,435	-	-	11,200	22,920
Inventories and prepaid items	2,492	-	-	-	-	2,492
TOTAL ASSETS	\$ 3,939,123	\$ 5,435	\$ 41,013,096	\$ 37,902,449	\$ 11,200	\$ 82,871,303
LIABILITIES AND FUND BALANCES						
Liabilities						
Short-term notes payable	\$ 660,000	\$ -	\$ -	\$ -	\$ -	\$ 660,000
Accounts payable	97,468	1,908	-	-	-	99,376
Accrued payroll liabilities	15,479	-	-	-	-	15,479
Accrued interest payable	5,492	-	-	-	-	5,492
Due to other funds	-	3,527	-	36,767	7,840	48,134
Due to other governments	-	-	-	-	3,360	3,360
Total Liabilities	778,439	5,435	-	36,767	11,200	831,841
Fund Balances						
Reserved for						
Encumbrances	68,783	-	-	-	-	68,783
Retirement of long-term debt	-	-	41,013,096	-	-	41,013,096
Construction of assets	-	-	-	37,865,682	-	37,865,682
Unreserved						
Designated	2,765,488	-	-	-	-	2,765,488
Undesignated	326,413	-	-	-	-	326,413
Total Fund Balances	3,160,684	-	41,013,096	37,865,682	-	82,039,462
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,939,123	\$ 5,435	\$ 41,013,096	\$ 37,902,449	\$ 11,200	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,354,173
Some liabilities, including bonds, notes payable, and premiums, are not due and payable in the current period and therefore are not reported in the funds.	(81,516,877)
Accrued interest as presented in the governmental funds does not include an estimate of the interest expense incurred during the current period which relates to bonds and notes payable that were not recorded in the governmental funds.	(844,937)

Net assets of governmental activities \$ 7,031,821

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended June 30, 2004

	General	Special Education	Debt Service	Capital Projects	Cooperative Program	Total Governmental Funds
Revenues						
Property taxes	\$ 5,221,534	\$ -	\$ 209,410	\$ -	\$ -	\$ 5,430,944
Other local sources	189,251	-	591	6,234	-	196,076
Interdistrict sources	45,318	32,593	-	-	64,749	142,660
Intermediate sources	23,951	44,747	-	-	-	68,698
State sources	4,926,122	289,615	-	-	4,582	5,220,319
Federal sources	54,727	1,331	-	-	-	56,058
Other sources	26,210	-	-	-	-	26,210
Total Revenues	10,487,113	368,286	210,001	6,234	69,331	11,140,965
Expenditures						
Instruction						
Regular instruction	3,542,898	-	-	-	-	3,542,898
Vocational instruction	888,470	-	-	-	-	888,470
Special education instruction	-	993,253	-	-	-	993,253
Other instruction	868,281	-	-	-	-	868,281
Total Instruction	5,299,649	993,253	-	-	-	6,292,902
Support Services						
Student services	718,823	92,852	-	-	-	811,675
Instructional staff services	275,918	5,360	-	-	101,724	383,002
General administration services	292,557	-	-	-	-	292,557
School administration services	406,406	-	-	-	-	406,406
Business services	176,930	-	-	-	-	176,930
Operation and maintenance of plant	953,681	-	-	36,767	-	990,448
Student transportation	341,454	36,046	-	-	-	377,500
Central services	128,821	-	-	-	-	128,821
Insurance	83,746	-	-	-	-	83,746
Other support services	35,034	-	-	-	-	35,034
Principal and interest	197,892	-	2,212,909	-	-	2,410,801
Total Support Services	3,611,262	134,258	2,212,909	36,767	101,724	6,096,920
Non-program						
General tuition payments	320,673	-	-	-	-	320,673
Special education tuition	-	131,936	-	-	-	131,936
Other non-program transactions	666	-	-	-	-	666
Total non-program	321,339	131,936	-	-	-	453,275
Total Expenditures	9,232,250	1,259,447	2,212,909	36,767	101,724	12,843,097
Excess of revenues over (under) expenditures	1,254,863	(891,161)	(2,002,908)	(30,533)	(32,393)	(1,702,132)
Other Financing Sources (Uses)						
Transfers in	-	891,161	-	-	32,393	923,554
Transfers out	(936,898)	-	-	-	-	(936,898)
Proceeds from refunding debt	-	-	41,903,785	37,896,215	-	79,800,000
Bond premiums	-	-	1,107,238	-	-	1,107,238
Total Other Financing Sources (Uses)	(936,898)	891,161	43,011,023	37,896,215	32,393	80,893,894
Net changes in fund balances	317,965	-	41,008,115	37,865,682	-	79,191,762
Fund balances - beginning of year	2,842,719	-	4,981	-	-	2,847,700
Fund balances - end of year	\$ 3,160,684	\$ -	\$ 41,013,096	\$ 37,865,682	\$ -	\$ 82,039,462

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to Statement of Activities
Year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds		\$ 79,191,762
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as		
Capital outlay reported in governmental fund statements	\$ 28,357	
Depreciation expense reported in the statement of activities	<u>(452,930)</u>	
Amount by which capital outlays are less than depreciation in current period		(424,573)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities, only the gain (or loss) on the disposal is reported.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ -	
Loss on disposition reported on the statement of activities	<u>(12,853)</u>	
Cost of assets disposed of		(12,853)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
		(421,077)
Proceeds from long-term debt are reported in the governmental funds as other financing sources, but are reported as an increase in long-term debt in the statement of net assets and does not affect the statement of activities. Proceeds from long-term debt in the current year are:		
		(79,800,000)
In governmental funds the entire proceeds, if any, of bond issuance premiums is reported as an other financing source. In the statement of activities, only the amortized portion of the premium is recorded.		
Proceeds from the bond issuance premium as reported on the governmental funds operating statement	(1,107,238)	
Amortized bond issuance premium reported on the statement of activities	<u>2,307</u>	
		(1,104,931)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments in		
		2,264,881
Accrued interest as presented in the governmental funds does not include an estimate of the interest expense incurred during the current period which relates to bonds and notes payable that were not recorded in the governmental funds.		
		<u>(815,065)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (1,121,856)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual -
General Fund
June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 5,199,644	\$ 5,199,644	\$ 5,221,534	\$ 21,890
Other local sources	188,458	188,458	189,251	793
Interdistrict sources	28,675	28,675	45,318	16,643
Intermediate sources	10,000	10,000	23,951	13,951
State sources	4,910,168	4,910,168	4,926,122	15,954
Federal sources	68,877	68,877	54,727	(14,150)
Other sources	6,937	6,937	26,210	19,273
Total Revenues	10,412,759	10,412,759	10,487,113	74,354
Expenditures				
Instruction				
Regular instruction	3,554,176	3,554,176	3,542,898	11,278
Vocational instruction	862,282	862,282	888,470	(26,188)
Other instruction	929,584	929,584	868,281	61,303
Total Instruction	5,346,042	5,346,042	5,299,649	46,393
Support Services				
Student services	732,202	732,202	718,823	13,379
Instructional staff services	293,525	293,525	275,918	17,607
General administration services	344,093	344,093	292,557	51,536
School administration services	467,824	467,824	406,406	61,418
Business services	184,911	184,911	176,930	7,981
Operations and maintenance of plant	1,012,811	1,012,811	953,681	59,130
Student transportation	321,562	321,562	341,454	(19,892)
Central services	132,575	132,575	128,821	3,754
Insurance	81,172	81,172	83,746	(2,574)
Other support services	-	-	35,034	(35,034)
Interest on debt	196,175	196,175	197,892	(1,717)
Total Support Services	3,766,850	3,766,850	3,611,262	155,588
Non-program				
General tuition payments	365,528	365,528	320,673	44,855
Other non-program transactions	-	-	666	(666)
Total non-program	365,528	365,528	321,339	44,189
Total Expenditures	9,478,420	9,478,420	9,232,250	246,170
Excess of Revenues Over Expenditures	934,339	934,339	1,254,863	320,524
Other Financing Uses:				
Transfers out	(934,339)	(934,339)	(936,898)	(2,559)
Total Other Financing Sources (Uses)	(934,339)	(934,339)	(936,898)	(2,559)
Net Change in Fund Balance	-	-	317,965	317,965
Fund balance - beginning of year	2,842,719	2,842,719	2,842,719	-
Fund balance - end of year	\$ 2,842,719	\$ 2,842,719	\$ 3,160,684	\$ 317,965

Wilmot Union High School

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual -
Special Education Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 35,544	\$ 35,544	\$ 32,593	\$ (2,951)
Intermediate sources	43,000	43,000	44,747	1,747
State sources	275,000	275,000	289,615	14,615
Federal sources	-	-	1,331	1,331
Total Revenues	353,544	353,544	368,286	14,742
Expenditures				
Instruction				
Special education instruction	996,686	996,686	993,253	3,433
Total Instruction	996,686	996,686	993,253	3,433
Support services				
Student services	94,770	94,770	92,852	1,918
Instructional staff services	12,123	12,123	5,360	6,763
Student transportation services	54,000	54,000	36,046	17,954
Total Support Services	160,893	160,893	134,258	26,635
Non-program				
Special education tuition	130,304	130,304	131,936	(1,632)
Total non-program	130,304	130,304	131,936	(1,632)
Total Expenditures	1,287,883	1,287,883	1,259,447	28,436
Excess of Revenues Over (Under) Expenditures	(934,339)	(934,339)	(891,161)	43,178
Other Financing Sources				
Transfers in	934,339	934,339	891,161	(43,178)
Net Change in Fund Balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

Wilmot Union High School

Statement of Net Assets -
Proprietary Fund
June 30, 2004

	Food Service
ASSETS	
Current Assets	
Due from other governments:	
Federal	<u>5,001</u>
Noncurrent Assets	
Machinery and equipment	114,597
Less: accumulated depreciation	<u>61,076</u>
Total Noncurrent Assets	<u>53,521</u>
TOTAL ASSETS	<u>58,522</u>
LIABILITIES	
Current Liabilities	
Due to other funds	<u>5,001</u>
NET ASSETS	
Invested in capital assets, net of related debt	<u><u>53,521</u></u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
Year ended June 30, 2004

	Food Service
Operating Revenues	
Food sales and user charges	\$ 242,669
State sources	2,787
Federal sources	77,060
Total Operating Revenues	<u>322,516</u>
Operating Expenses	
Purchased services	12,076
Supplies and materials	191,571
Salaries and related items	132,215
Depreciation	5,807
Total Operating Expenses	<u>341,669</u>
Operating Loss	(19,153)
Non-Operating Revenue	
Transfers in	<u>13,346</u>
Total Non-Operating Revenues (Expenses)	<u>13,346</u>
Change in net assets	(5,807)
Net assets - beginning of year	59,328
Net assets - end of year	<u>\$ 53,521</u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Cash Flows -
Proprietary Fund
Year Ended June 30, 2004

	Food Service
Cash Flows from Operating Activities	
Cash received from user charges	\$ 242,669
Cash received from other government payments	79,847
Cash received from other sources	-
Cash payments to employees	(132,215)
Cash payments to suppliers	(203,647)
Net Cash Used for Operating Activities	<u>(13,346)</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	<u>13,346</u>
Net Increase in Cash and Cash Equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (19,153)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	5,807
Changes in assets and liabilities	
Due from other funds	(5,001)
Due from other governments:	
Federal	5,001
Net Cash Used for Operating Activities	<u>\$ (13,346)</u>
Noncash Noncapital Financing Activities	
Commodities received from U.S. Department of Agriculture	<u>\$ 10,307</u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Net Assets -
Fiduciary Funds
June 30, 2004

	Private-Benefit Trust	Agency Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 46,154	\$ 75,823
Interest receivable	501	-
TOTAL ASSETS	<u>46,655</u>	<u>75,823</u>
LIABILITIES		
Current liabilities		
Due to student organizations	-	75,823
NET ASSETS		
Reserved for scholarships	<u>46,655</u>	<u>-</u>

The notes to the basic financial statements are an integral part of this statement.

Wilmot Union High School

Statement of Changes in Net Assets -
Fiduciary Funds
Year Ended June 30, 2004

	Private-Benefit Trust
ADDITIONS	
Private donations	\$ 11,608
DEDUCTIONS	
Scholarships awarded	10,847
Transfers	-
Total Deductions	<u>10,847</u>
Change in Net Assets	761
Net Assets - July 1	<u>45,894</u>
Net Assets - June 30	<u><u>\$ 46,655</u></u>

The notes to the basic financial statements are an integral part of this statement.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wilmot Union High School District ("the District") Wilmot, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

1. Reporting Entity

The Wilmot Union High School District is organized as a common school district. The District, governed by a seven member elected school board, operates grades nine through twelve and is comprised of all or parts of six taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 14.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

SPECIAL EDUCATION FUND

This fund accounts for activities associated with providing educational programs for students with disabilities. Sources include financial aid received from the state and federal government and payments from other school districts. Excess expenditures of the fund are financed with a transfer from the general fund.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports no major proprietary funds. The District uses enterprise funds to account for transactions of the Food Service fund.

Additionally, the government reports the following fund types:

The *private-benefit trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities, and enterprise funds subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

4. Assets, Liabilities and Net Assets or Equity

A. Cash and Investments

Cash and investments are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

B. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

C. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a deferred revenue account or shown as a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business type activities.

D. Capital Assets

Capital assets, which include property, plant, machinery and equipment assets, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or higher and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

	Governmental	Business-Type
	Activities	Activities
	Years	
<u>Assets</u>		
Buildings	20 - 50	-
Machinery and equipment	5 - 20	15

E. Compensated Absences

Compensated absences are recognized as an expenditure when used rather than when earned by the employee. All vacation and sick leave is accrued when incurred in the district-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

F. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

G. Long-term Obligations

In the district-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Change in Accounting Principles

The District adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* effective July 1, 2003. These Statements require the District to include district-wide financial statements using the economic resources measurement focus. With this measurement focus, all assets and liabilities (including general capital assets and related debt) are included on the statement of net assets. Previously, the current financial resources measurement focus was used whereby only current assets and current liabilities were included on the financial statements.

The previous requirement for fund financial statements is further modified to present information for individual major funds rather than by fund type. Nonmajor funds are presented as a total in a single column.

The Statement provides additional information for the definition of proprietary funds. Based on this additional information, the District has reclassified its Food Service Fund from special revenue funds to enterprise funds.

Due to the significance of the above changes and changes to fund structure, it was not practical to present comparative data for the 2003 fiscal year in the basic financial statements.

NOTE B - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets - governmental activities* as reported in the district-wide statement of net assets. One element of that reconciliation explains that "some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$81,516,877 difference are as follows:

Early retirement program	\$ 586,131
Bonds and notes payable	<u>80,930,746</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$81,516,877</u>

NOTE C - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE C - STEWARDSHIP AND COMPLIANCE, Continued

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a reserved or designated fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances outstanding at year-end (e.g. purchase orders, contracts) are shown as a reservation of fund balance.

The school district did not have any violation of legal or contractual provisions for the fiscal year ended June 30, 2004.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the general and major special revenue funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2004 as follows:

Fund	Function	Excess Expenditures
General Fund	Other financing uses	\$ 2,559
Special Education Fund	Non-program	1,632

The above excess expenditures were funded using favorable revenue variances and available fund balance in the general and the major special revenue funds.

NOTE D - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

WILMOT UNION HIGH SCHOOL DISTRICT

Wilmot, Wisconsin

Notes to Basic Financial Statements

June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; the Wisconsin local government investment pool; and the Wisconsin school district liquid asset fund.

The carrying amount of the District's cash and investments, including the separate accounts noted above, totaled \$80,969,567 on June 30, 2004 as summarized below:

Deposits with financial institutions	\$ 1,523,277
Investments	
Wisconsin Local Government Investment Pool	1,594,102
Certificates of deposit and government securities	77,928,011
	<u>\$ 81,045,390</u>
Reconciliation to the basic financial statements:	
Basic financial statement	\$ 80,923,412
Fiduciary funds	
Private-benefit trust fund	46,155
Agency fund	75,823
	<u>\$ 81,045,390</u>

Additional information on the above deposits and investments follows:

Deposits - Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest-bearing accounts and \$100,000 for non interest-bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. At year end, the bank balance of the District's deposits totaled \$1,622,481. All of the bank balance was covered by federal depository insurance, the State of Wisconsin Public Deposit Guarantee Fund or by collateral held by the District's agent in the District's name.

The District has investments in the Wisconsin local government investment pool at year end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2004, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Investments in the Wisconsin local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:	\$ 688,812	\$ -	\$ -	\$ 688,812
Land	688,812	-	-	688,812
Total capital assets, not being depreciated	<u>688,812</u>	<u>-</u>	<u>-</u>	<u>688,812</u>
Capital assets, being depreciated:				
Buildings	12,770,104	-	-	12,770,104
Machinery and equipment	1,466,661	7,626	(37,806)	1,436,481
Land improvements	95,460	-	-	95,460
Vehicles	-	20,731	-	20,731
Subtotals	<u>14,427,685</u>	<u>28,357</u>	<u>(37,806)</u>	<u>14,418,236</u>
Less accumulated depreciation for:				
Buildings	(6,355,656)	(255,402)	-	(6,611,058)
Machinery and equipment	(797,656)	(194,700)	24,953	(967,403)
Infrastructure	(76,126)	(1,532)	-	(77,658)
Vehicles	-	(1,296)	-	(1,296)
Subtotals	<u>(7,229,438)</u>	<u>(452,930)</u>	<u>24,953</u>	<u>(7,657,415)</u>
Total capital assets, being depreciated, net	<u>7,198,247</u>	<u>(424,573)</u>	<u>(12,853)</u>	<u>6,760,821</u>
Governmental activities capital assets, net	<u>\$ 7,791,599</u>	<u>\$ (424,573)</u>	<u>\$ (12,853)</u>	<u>\$ 7,354,173</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 116,738	\$ -	\$ (2,141)	\$ 114,597
Less accumulated depreciation for:				
Machinery and equipment	(57,410)	(5,807)	2,141	(61,076)
Total capital assets, being depreciated, net	<u>59,328</u>	<u>(5,807)</u>	<u>-</u>	<u>53,521</u>
Business-type activities capital assets, net	<u>\$ 59,328</u>	<u>\$ (5,807)</u>	<u>\$ -</u>	<u>\$ 53,521</u>

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

4. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2004 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 53,135	\$ -
Special Revenue Funds		
Special Education Fund		3,527
Capital Project Fund		36,767
Cooperative Program Fund		7,840
Enterprise Funds		
Food Service Fund		5,001
Totals	<u>\$ 53,135</u>	<u>\$ 53,135</u>

Interfund transfers for the year ended June 30, 2004 were as follows:

	Transfer to:		
	Special Education	Cooperative Program	Food Service
Transfers from:			
General fund	\$ 891,161	\$ 32,393	\$ 13,346

5. Short-term Debt

The District issued a bond anticipation note in advance of the cash receipt from the general obligation bonds. This note was needed because payment from the bond was expected to come after the District began their major building project. In addition, the District issued a tax anticipation note in advance of property tax collections. This note is needed because payments for the year begin in July whereas the final tax collection is received from the County beginning in August. Short-term debt activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ 560,000	\$ 660,000	\$ 560,000	\$ 660,000

Total interest paid during the year on short-term debt totaled \$9,282.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

6. Leases

CAPITAL LEASES

The District is obligated for capital leases that were used to finance the acquisition of fixed assets. Presented below is a schedule of future minimum lease payments at June 30, 2004:

Year Ending	Amount
2005	\$ 19,894
2006	6,488
2007	1,484
Total minimum lease payments	27,866
Less: Amount representing interest	(2,051)
Present value of future minimum lease payments	<u>\$ 25,815</u>

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2004:

	Outstanding 7/1/03	Issued	Retired	Outstanding 6/30/04	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 2,090,000	\$39,900,000	\$(2,090,000)	\$39,900,000	\$ -
Total General Obligation Debt	2,090,000	39,900,000	(2,090,000)	39,900,000	-
Bond anticipation note	-	39,900,000	-	39,900,000	39,900,000
Capital leases	200,695	-	(174,880)	25,815	19,894
Early retirement incentive payable	165,054	469,670	(48,593)	586,131	-
Governmental activity					
Long-term liabilities	<u>\$ 2,455,749</u>	<u>\$80,269,670</u>	<u>\$(2,313,473)</u>	<u>\$80,411,946</u>	<u>\$39,919,894</u>

Total interest paid during the year on long-term debt totaled \$122,909.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds		
\$39,900,000 issued 6/18/04; \$2,534,810 to \$4,884,950 due annually through 2024; interest 3.0% to 5.25%		\$ 39,900,000
Notes		
\$39,900,000 issued 5/11/04; \$39,900,000 due 2004; interest 1.55%		<u>39,900,000</u>
Total Outstanding General Obligation Debt		<u><u>\$ 79,800,000</u></u>

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

Annual principal and interest maturities of the outstanding general obligation debt of \$79,800,000 on June 30, 2004 are detailed below:

Year Ended June 30	Principal	Interest	Total
2005	\$ 39,900,000	\$ 2,844,035	\$ 42,744,035
2006	90,000	2,091,613	2,181,613
2007	100,000	2,088,638	2,188,638
2008	300,000	2,081,950	2,381,950
2009	525,000	2,066,388	2,591,388
2010-2024	38,885,000	20,023,405	58,908,405
	<u>\$ 79,800,000</u>	<u>\$ 31,196,029</u>	<u>\$ 110,996,029</u>

For the governmental activities, the other long-term liabilities are generally liquidated by the general fund.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2004 was \$37,145,915 as follows:

Equalized valuation of the District	\$1,540,918,308
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>77,045,915</u>
Total outstanding general obligation debt applicable to debt limitation	<u>39,900,000</u>
Legal Margin for New Debt	<u>\$ 37,145,915</u>

8. Fund Equity

District-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE D - DETAILED NOTES ON ALL FUNDS, Continued

Net assets of the governmental activities reported on the district-wide statement of net assets at June 30, 2004 includes the following:

Invested in capital assets, net of related debt	
Land	\$ 688,812
Land improvements	95,460
Buildings	12,770,104
Machinery and equipment	1,436,481
Vehicles	20,731
Accumulated depreciation	(7,657,415)
Less: related long-term debt outstanding debt	(25,815)
Total Invested in Capital Assets, Net of Related Debt	\$ 7,328,358
Restricted	
Encumbrances	\$ 68,783
Debt service	41,013,096
Total Restricted	\$ 41,081,879
Unrestricted (deficit)	(41,378,416)
Total Governmental Activities Net Assets	\$ 7,031,821

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2004, fund balance was reserved as follows:

General Fund	
Reserved for encumbrances	\$ 68,783
Debt Service Fund	
Reserved retirement of long-term debt	\$ 41,013,096

NOTE E - OTHER INFORMATION

1. **Retirement Commitments**

All eligible District employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.6% of their salary (2.6% for Executives and Elected Officials, 4.5% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE E - OTHER INFORMATION, Continued

The payroll for District employees covered by the System for the year ended June 30, 2004 was \$5,418,489; the employer's total payroll was \$5,680,782. The total required contribution for the year ended June 30, 2004 was \$522,620, which consisted of \$223,377 (4.0% of payroll from July 1, 2003 through December 31, 2003 and 4.2% of payroll from January 1, 2004 through June 30, 2004) from the employer and \$299,243 (5.4% of payroll from July 1, 2003 through December 31, 2003 and 5.6% of payroll from January 1, 2004 through June 30, 2004) employees. The required contribution for employees for the year ended June 30, 2004 was financed by the District. Total contributions for the years ending June 30, 2003 and 2002 were \$486,109 and \$455,683 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Early Retirement Program

In addition to the above retirement plan, the District offers an early retirement program for teachers who have taught in the district for ten years or more and are eligible for a WRS retirement annuity. Under the program, eligible teachers upon retirement are entitled to have medical insurance premium payments made for them until the available benefit is exhausted. At June 30, 2004, there were ten participants in the program and a liability of \$586,131 had been recorded in the District-wide statement of net assets as an estimate of future payments under the Plan.

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

- A. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- B. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Notes to Basic Financial Statements
June 30, 2004

NOTE E - OTHER INFORMATION, Continued

5. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A. A resolution of the school board or by referendum prior to August 12, 1993.
- B. A referendum on or after August 12, 1993.

SUPPLEMENTAL INFORMATION

Wilmot Union High School

Schedule of Changes in Assets and Liabilities -
Pupil Activity Funds
Year Ended June 30, 2004

	Balance 7/1/03	Additions	Deletions	Balance 6/30/04
ASSETS				
Cash	\$ 45,089	\$ 284,093	\$ 253,359	\$ 75,823
LIABILITIES				
Due to student organizations	45,089	284,093	253,359	\$ 75,823

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**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**

To the Board of Education
Wilmot Union High School District
Wilmot, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmot Union High School District ("the District"), Wisconsin as of and for the year ended June 30, 2004, which collectively comprise the Wilmot Union High School District's basic financial statements and have issued our report thereon dated October 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wilmot Union High School District, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

This report is intended solely for the information and use of the Board of Education, management, and others within the District, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Milwaukee, Wisconsin
October 14, 2004

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
STATE PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Education
Wilmot Union High School District
Franksville, Wisconsin

Compliance

We have audited the compliance of the Wilmot Union High School District ("the District") with the types of compliance requirements described in the *State Single Audit Guidelines* that are applicable to its state special education aid program for the year ended June 30, 2004. Compliance with the requirements of laws, regulations, and contracts applicable to state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Single Audit Guidelines*. Those standards and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

The District did comply with the compliance requirements listed below that are applicable to state programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

Wisconsin Department of Public Instruction

- Cost
- Federal and/or other state program funded costs
- Teacher and teacher aid certification

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to state programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control structure over compliance with requirements of laws, regulations, and contracts applicable to state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on the state special education aid program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *State Single Audit Guidelines*.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer state program in accordance with applicable requirements of laws, regulations, and contracts. The reportable condition is described in the accompanying Summary of Auditor's Results as item 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the finance committee and management of District and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by anyone other than these interested parties.



Certified Public Accountants
Milwaukee, Wisconsin
October 14, 2004

Wilmot Union High School

Schedule of Expenditures of Federal Awards
June 30, 2004

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Program or Award Amount	Revenues				Accrued Receivable 6/30/04
			Accrued Receivable 7/1/03	Grantor Reimburse- ments	Local Share	Expendi- tures	
<u>U.S. Department of Education</u>							
Wisconsin Department of Public Instruction							
ESEA Title I Basic Grant (Chapter 1) July 1, 2003 to June 30, 2004	84.010	\$ 37,703	\$ -	\$ 37,703	\$ -	\$ 37,703	\$ -
ESEA Title II-A Quality Teachers and Principals July 1, 2002 to June 30, 2003 July 1, 2003 to June 30, 2004	84.367	- 13,643	22,025 -	22,025 -	- -	- 13,643	- 13,643
ESEA Title II-D Enhancing Education through Technology July 1, 2002 to June 30, 2003	84.318	-	1,103	1,103	-	-	-
ESEA Title IV-A Drug Free Schools and Communities July 1, 2002 to June 30, 2003 July 1, 2003 to June 30, 2004	84.186	- 3,281	3,332 -	3,332 -	- -	- 3,281	- 3,281
ESEA Title V-A Innovative Programs July 1, 2002 to June 30, 2003	84.298	-	2,870	2,870	-	-	-
Certified Nursing Assistant Testing July 1, 2003 to June 30, 2004		100	-	100	-	100	-
School to Work Grant (Kenosha Area Business Alliance) July 1, 2003 to June 30, 2004	TRAN-27-00	4,803	-	4,803	-	4,803	-
Carl Perkins Grant July 1, 2003 to June 30, 2004	84.048	19,148	-	18,033	-	19,148	1,115
Total U.S. Department of Education			29,330	89,969	-	78,678	18,039
<u>U.S. Department of Agriculture</u>							
Wisconsin Department of Public Instruction Donated Commodities July 1, 2003 to June 30, 2004	10.550	11,257	-	11,257	-	11,257	-
Kohl Grant - School Breakfast Program Startup July 1, 2003 to June 30, 2004		17,500	-	14,055	-	17,500	3,445
Food Service Aid - Breakfast July 1, 2003 to June 30, 2004	10.553	7,473	-	7,185	-	7,473	288
Food Service Aid - Lunch July 1, 2003 to June 30, 2004	10.555		1,362	49,450	250,276	299,632	1,268
Total U.S. Department of Agriculture			1,362	81,947	250,276	335,862	5,001
Total Federal Assistance			\$ 30,692	\$ 171,916	\$ 250,276	\$ 414,540	\$ 23,040

Wilmot Union High School

Schedule of State Financial Assistance
June 30, 2004

Awarding Agency/Pass-Through Agency/Award Description	State I.D. Number	Accrued Receivable 7/1/03	Revenues State Reimburse- ments	Expendi- tures	Accrued Receivable 6/30/04
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION					
<u>Entitlement Programs</u>					
<u>Major state programs</u>					
Special education and school age parents:	255.101	\$ -	\$ 289,615	\$ 289,615	\$ -
Total major programs		-	289,615	289,615	-
<u>Nonmajor state programs</u>					
Common School Fund	255.103	-	31,147	31,147	-
Drivers Education	255.104	-	17,600	17,600	-
General equalization	255.201	87,191	4,828,371	4,829,218	88,038
Pupil transportation	255.107	-	39,507	39,507	-
State Lunch	255.102	-	2,787	2,787	-
Peer Review and Mentoring	255.301	-	3,258	3,258	-
Total nonmajor programs		87,191	4,922,670	4,923,517	88,038
WISCONSIN DEPARTMENT OF REVENUE					
Exempt Computer Aid	N/A	-	4,600	4,600	-
WISCONSIN DEPARTMENT OF NATURAL RESOURCES					
Chapter 70.114 Aid	N/A	-	792	792	-
Total State Assistance		\$ 87,191	\$ 5,217,677	\$ 5,218,524	\$ 88,038

WILMOT UNION HIGH SCHOOL DISTRICT

Wilmot, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2004

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Wilmot Union High School District and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2003-2004 eligible costs under the State Special Education Program are \$1,078,133.

NOTE C - OVERSIGHT AGENCIES

The U.S. Department of Education has been designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

WILMOT UNION HIGH SCHOOL DISTRICT
Wilmot, Wisconsin
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be a material weakness(es)?	Yes
Noncompliance material to basic financial statements noted?	No

State Awards

Internal control over financial reporting:	
• Material weakness identified?	No
• Reportable condition(s) identified that are not considered to be a material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of major state program:

CFDA Number	Name of State Program of Cluster
255.101	Special Education and School Aged Parents

Section II – Financial Statement Findings

03-1 Segregation of Duties

The size of the District's office staff has prevented the separation of functions necessary to assure an adequate internal control structure. The Board should continue to be aware of this condition.