

November 30, 2004

To the Board of Education
Community Unit School District 200
130 West Park
Wheaton, Illinois 6187

I am writing to share our observations made during the audit of your financial statements for the year ended June 30, 2004. Generally, we found the District's staff to be competent, professional and cooperative. They actively participated in the audit process and assisted us, as required.

I offer the following comments arising out of our audit for your consideration:

Financial status

There has been considerable discussion about the District's financial condition, and its financial future, in the past year. Like many, many Illinois school districts, you are finding that it is increasingly difficult to provide a given level of service with the resources available.

The District issued \$16 million of working cash bonds subsequent to the end of the fiscal year to provide a temporary financial solution to provide time for the administration, board and public to work on long-term answers to financial issues. We believe this is a sound decision and that you are able to use that time productively to develop a solution that works for your communities.

As you have further discussions on the financial future of the District, we believe there are several points that you should consider:

- The financial difficulties you are facing are not unique to District 200. In fact, most school districts in Illinois are facing financial shortfalls. This is not a result of mismanagement; it is the product of the school funding mechanism.
- The tax cap legislation, intentionally or otherwise, is designed to cause school districts to ask the public for tax increases periodically. A rate referendum used to be associated with a failure of the District to manage its monies successfully; today a rate referendum is a normal by-product of doing business. We expect that districts will need to ask for referendums as often as every 5 – 7 years in the future.