

# **Inland Lakes Schools**

**Cheboygan County, Michigan**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended June 30, 2009**

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# Inland Lakes Schools

Cheboygan County, Michigan

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June 30, 2009

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Inland Lakes Schools  
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Inland Lakes Schools as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Inland Lakes Schools' management. Our responsibility is to express opinions 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 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, each major fund, and the aggregate remaining fund information of Inland Lakes Schools as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Administration's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and page 35 are 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 required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Board of Education  
Inland Lakes Schools  
Cheboygan County, Michigan

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Inland Lakes Schools' basic financial statements. The combining and other supplementary data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Inland Lakes Schools. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements of Inland Lakes Schools. 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.

A handwritten signature in black ink that reads "Douglas Wohlberg". The signature is written in a cursive style with a large, looping flourish at the end.

Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
October 16, 2009

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# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

As management of the Inland Lakes Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009.

#### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,048,620. This consists of investments in capital assets, net of related debt of \$263,776, unrestricted net assets of \$1,018,748, which may be used to meet the District's ongoing obligations, \$283,721 is restricted for capital outlay and \$473,505 is restricted for debt service.
- The District's total net assets increased by \$1,710,652.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,893,234, an increase of \$113,101 from the prior year. Approximately 60%, or \$1,128,289, is *available for spending* at the District's discretion (*unreserved fund balance*); however \$76,038 is designated by the School Board for the purchase of new textbooks.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$996,407 or 12% percent of total General Fund expenditures and transfers out.
- The District made principal payments on its bonds and notes of \$732,402 during the year.

#### Overview of the 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 comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the 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 (deficit)* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. 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.

# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal 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 sick or vacation leave).

Both of the District-wide financial statements present activities of the District that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instruction, supporting services, community services, food service, athletics and other transactions. The District has no business-type activities as of and for the year ended June 30, 2009.

The District-wide financial statements can be found on pages 14-15 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 two categories: governmental 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 a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, 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 funds balance sheet and the governmental funds 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 seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Building and Site Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund herein to demonstrate compliance with that budget.

The basic governmental funds financial statements can be found on pages 16-18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the 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 financial statements can be found on pages 21-31 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 38-41 of this report.

#### **District-wide Financial Analysis**

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, its assets exceeded liabilities by \$2,048,620 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (deficit) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to the students within the district; 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.

Of the District's net assets of \$2,048,620, \$757,226 represents resources that are subject to external restrictions on how they may be used. The remaining \$1,291,394 represents *unrestricted net assets*.

# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

#### Condensed Statement of Net Assets

	2008-2009	2007-2008
<u>Assets</u>		
Current assets	\$ 3,209,111	\$ 3,143,026
Capital assets	6,363,935	5,245,988
<b>Total assets</b>	<b>\$ 9,573,046</b>	<b>\$ 8,389,014</b>
<u>Liabilities</u>		
Current liabilities	1,353,435	1,403,580
Long-term liabilities	6,170,991	6,647,466
<b>Total liabilities</b>	<b>7,524,426</b>	<b>8,051,046</b>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	263,776	(1,358,488)
Designated for textbooks	76,038	
Restricted	764,945	792,545
Unrestricted	943,861	903,911
<b>Total net assets</b>	<b>2,048,620</b>	<b>337,968</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,573,046</b>	<b>\$ 8,389,014</b>

The District's net assets increased by \$1,710,652 during the current fiscal year. Most of this increase was due to a small increase in State Aid, careful fiscal management, and reductions in long-term debt. Included in the current fiscal year was an increase in the foundation allowance funding by the State of Michigan to \$7,316 per student. The District's blended enrollment is approximately 980 students.

# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

#### Condensed Statement of Activities

	2008-2009	% of Total	2007-2008	% of Total
<u>General Revenues</u>				
Charges for services	\$ 208,177	1.94%	\$ 218,128	2.24%
Operating grants and contributions	2,931,471	27.26%	1,317,913	13.55%
Property taxes	4,824,948	44.86%	4,732,185	48.65%
State of Michigan	2,730,498	25.39%	3,319,511	34.13%
Investment earnings	43,465	0.40%	101,070	1.04%
Other	16,013	0.15%	38,059	0.39%
<b>Total general revenue</b>	<b>10,754,572</b>	<b>100.00%</b>	<b>9,726,866</b>	<b>100.00%</b>
<u>Expenses</u>				
Instruction	5,239,375	57.93%	5,207,761	57.66%
Support services	2,441,497	27.00%	2,504,675	27.73%
Community services	138,952	1.54%	93,556	1.04%
Food services	358,661	3.97%	379,102	4.20%
Athletics	268,681	2.97%	254,563	2.82%
Interest on long-term debt	246,401	2.72%	264,626	2.93%
Unallocated depreciation	350,353	3.87%	328,192	3.63%
<b>Total Expenses</b>	<b>9,043,920</b>	<b>100.00%</b>	<b>9,032,475</b>	<b>100.00%</b>
<b>Increase (Decrease) In Net Assets</b>	<b>\$ 1,710,652</b>		<b>\$ 694,391</b>	

#### 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.

# **Inland Lakes Schools**

## **Cheboygan County, Michigan**

### **Administration's Discussion and Analysis**

#### **June 30, 2009**

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,893,234, an increase of \$113,101 in comparison with the prior year. Approximately 60% or \$1,128,289 of this total amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion. During the 2008-2009 school year the Inland Lakes Board of Education designated that of this amount available, \$76,038 would be allocated for textbook expenses thereby leaving an undesignated fund balance of \$1,052,251. The remainder of fund balance is *reserved* to indicate that it is not available to fund current expenditures.

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. Undesignated fund balance represents approximately 12% of total General Fund expenditures including transfers out.

#### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets were due to conservative preliminary calculations in economically unstable times. The original budget did not include the \$112 per pupil funding increase of State Aid however without the ARRA Stabilization Funding, the state would have not been able to meet the Foundation Allowance promised. In addition, the district had 9 FTE's more than anticipated. This allowed the District to recall laid off teaching staff to maintain programs and/or lower class sizes. It was also expected that there would be a decrease in Title 1 and At-Risk funding which did not occur. Other differences between the budgets are due to a lower increase of MESSA Health premiums, the elimination of a hearing interpreter and increases in utilities and diesel fuel proved to be lower than anticipated.

During the last two years the district committed to replacing the High School heating system and approximately one third of the High School/Middle School Roof. This was paid out of Capital Projects Fund and through a bond debt. The district acknowledges there are many facility improvements that are still needed at the High School and Middle School which have been delayed due to lack of funding. The District hopes to ask the community to support a bond proposal in the Spring of 2010 to allow for these improvements.

As additional information became known as to state and federal funding during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various District programs.

# Inland Lakes Schools

## Cheboygan County, Michigan

### Administration's Discussion and Analysis

#### June 30, 2009

#### Capital Asset and Long-term Debt

**Capital assets.** The District's investment in capital assets as of June 30, 2009, amounted to \$6,363,935 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, equipment and vehicles.

#### District's Capital Assets (net of depreciation, when applicable)

	2008-2009	2007-2008
Land and improvements	\$ 909,438	\$ 1,033,607
Buildings and improvements	4,946,116	3,700,996
Equipment	227,342	247,026
Vehicles	281,039	264,359
<b>Total</b>	<b>\$ 6,363,935</b>	<b>\$ 5,245,988</b>

Additional information on the District's capital assets can be found in Note 4 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt, installment contracts, accrued compensated absences and retirement payable outstanding of \$6,170,998. Of this amount, \$21,531 are "Durant Bonds" which are not a general obligation of the District and do not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely by the State of Michigan.

The District made principal payments on its bonds and notes of \$732,402 during the year.

Additional information on the District's long-term debt can be found in Note 6 of this report.

# **Inland Lakes Schools**

## **Cheboygan County, Michigan**

### **Administration's Discussion and Analysis**

#### **June 30, 2009**

#### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2009-2010 fiscal year:

- No increase or decrease in State Aid funding was budgeted due to the state's promise of ARRA Stabilization Funding.
- Enrollment based on 31.85 less pupils for a full time equivalent count of 948.5.
- Decreases were budgeted for At Risk, Title II and Special Ed Funds.
- Title 1 ARRA Funds created a new teacher position at the Elementary.
- Hired one additional Kindergarten Teacher and one Spanish Teacher.
- Staffing change of the Middle School Principal/AD Director brought the district some savings.
- Employer paid retirement increase of .40% (from 16.54% to 16.94%).
- The District has not had labor contracts with any bargaining unit since June 30, 2007. At the time of budget preparation, the Board had imposed a cap of \$1200 per month per employee for health benefits although negotiations were still in progress.
- Increase of an additional 10% for natural gas and electric.
- Increase of 15% for diesel fuel for transportation.
- Other than textbook and technology no capital outlay was budgeted.
- One bus loan was retired and the District purchased one new bus.

#### **Requests for Information**

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:

Inland Lakes Schools  
Superintendent of Schools  
5243 S. Straits Hwy.  
Indian River, MI 49749

## **BASIC FINANCIAL STATEMENTS**

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# Inland Lakes Schools

Cheboygan County, Michigan

## Statement of Net Assets

June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 2,334,624
Receivables	
Taxes	521
Accounts receivable	7,354
Interest receivable	13,153
Due from other governmental units	845,740
Inventories	7,719
Capital assets less accumulated depreciation of \$6,686,614	6,363,935
<b>TOTAL ASSETS</b>	<b>\$ 9,573,046</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 245,349
Accrued payroll and other liabilities	1,087,297
Deferred revenue	20,789
Long-term liabilities	
Bonds payable, due within one year	753,544
Other obligations, due within one year	53,512
Bonds payable, due in more than one year	5,202,987
Other obligations, due in more than one year	160,948
<b>TOTAL LIABILITIES</b>	<b>7,524,426</b>
<b>NET ASSETS</b>	
Investment in capital assets - net of related debt	263,776
Restricted for:	
Debt service	473,505
Capital outlay	283,721
Unrestricted	1,027,618
<b>Total net assets</b>	<b>2,048,620</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,573,046</b>

The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

## Statement of Activities

For the year ended June 30, 2009

	Program Revenues			Governmental
	Expenses	Charges for services	Operating grants and contributions	Activities Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 5,239,375	\$ 9,625	\$ 1,402,410	\$ (3,827,340)
Support services	2,441,497	24,759		(2,416,738)
Community services	138,952		136,051	(2,901)
Food service	358,661	126,882	293,010	61,231
Athletics	268,681	46,911	1,100,000	878,230
Interest on long-term debt	246,401			(246,401)
Depreciation (unallocated)	350,353			(350,353)
<b>Total Government activities</b>	<b>\$ 9,043,920</b>	<b>\$ 208,177</b>	<b>\$ 2,931,471</b>	<b>(5,904,272)</b>

### General Revenues

<b>Taxes</b>	
Property taxes, levied for general operations	3,896,171
Property taxes, levied for debt service	928,777
State of Michigan aid, unrestricted	2,730,498
Interest and investment earnings	43,465
Other	16,013
<b>Total general revenues</b>	<b>7,614,924</b>
Change in Net Assets	1,710,652
<b>Net assets - beginning of year</b>	<b>337,968</b>
<b>Net assets - end of year</b>	<b>\$ 2,048,620</b>

The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

Governmental Funds

Balance Sheets

For the year ended June 30, 2009

	General Fund	Building and Site Fund	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 1,756,567	\$ 37,143	\$ 540,914	\$ 2,334,624
Receivables				
Taxes			521	521
Accounts	20,506			20,506
Due from other funds		251,578	15,962	267,540
Due from other governmental units	845,740			845,740
Inventory			7,719	7,719
<b>TOTAL ASSETS</b>	<b>\$ 2,622,813</b>	<b>\$ 288,721</b>	<b>\$ 565,116</b>	<b>\$ 3,476,650</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 214,128	\$ 5,000	\$ 26,221	\$ 245,349
Accrued payroll and other liabilities	722,019			722,019
Due to other funds	267,540			267,540
Deferred revenue	18,962		1,827	20,789
Due to other governmental units	138,978			138,978
Notes payable	188,741			188,741
<b>TOTAL LIABILITIES</b>	<b>1,550,368</b>	<b>5,000</b>	<b>28,048</b>	<b>1,583,416</b>
<b>FUND BALANCES</b>				
Designated for textbooks	76,038			76,038
Reserved				
Inventories			7,719	7,719
Debt service			473,505	473,505
Capital outlay		283,721		283,721
Unreserved				
Undesignated	996,407		55,844	1,052,251
<b>TOTAL FUND BALANCE</b>	<b>1,072,445</b>	<b>283,721</b>	<b>537,068</b>	<b>1,893,234</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,622,813</b>	<b>\$ 288,721</b>	<b>\$ 565,116</b>	<b>\$ 3,476,650</b>

The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to Net Assets

For the year ended June 30, 2009

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<b>Total fund balances - Governmental Funds</b>	<b>\$</b>	<b>1,893,234</b>
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
<b>Capital assets used in governmental activities are not financial resources and are not reported in the funds</b>		
The cost of the capital assets is		13,050,549
Accumulated depreciation is		(6,686,614)
 <b>Long-term liabilities are not due and payable in the current period and are not reported in the funds</b>		
Bonds payable		(6,100,153)
Tuition reimbursement		(35,139)
Compensated absences		(35,700)
Accrued interest on bonds payable		(37,557)
<b>Total net assets - Governmental activities</b>	<b>\$</b>	<b>2,048,620</b>

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The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2009

	General Fund	Building and Site Fund	Other Nonmajor Governmental Funds	Total
<b>REVENUE</b>				
Local sources	\$ 4,050,466	\$ 2,753	\$ 1,118,699	\$ 5,171,918
State Sources	3,248,045		29,740	3,277,785
Federal sources	722,371		257,402	979,773
<b>TOTAL REVENUES</b>	<b>8,020,882</b>	<b>2,753</b>	<b>1,405,841</b>	<b>9,429,476</b>
<b>EXPENDITURES</b>				
Current				
Instruction	5,255,070			5,255,070
Support services	2,656,871			2,656,871
Food service			356,534	356,534
Athletics			229,979	229,979
Debt service			907,644	907,644
Capital outlay		273,911		273,911
<b>TOTAL EXPENDITURES</b>	<b>7,911,941</b>	<b>273,911</b>	<b>1,494,157</b>	<b>9,680,009</b>
Excess (deficiency) of revenue over expenditures	108,941	(271,158)	(88,316)	(250,533)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in		4,690	183,028	187,718
Operating transfer out	(187,718)			(187,718)
Transfers to other governmental units	(41,990)			(41,990)
Interdistrict sources	225,095			225,095
Debt retirement	(74,289)			(74,289)
Improvements	(16,810)			(16,810)
Proceeds of long-term debt	71,628	200,000		271,628
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24,084)</b>	<b>204,690</b>	<b>183,028</b>	<b>363,634</b>
Excess (deficiency) of revenue over expenditures and other sources (uses)	84,857	(66,468)	94,712	113,101
Fund Balance at beginning of year	987,588	350,189	442,356	1,780,133
Fund Balance at end of year	\$ 1,072,445	\$ 283,721	\$ 537,068	\$ 1,893,234

The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

## Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2009

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 113,101</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
<b>Governmental Funds report capital outlays as expenditures; in the statements of activities, these costs are allocated over their estimated useful lives as depreciation</b>	
Depreciation expense	\$ (391,182)
Capital outlay	<u>1,509,129</u>
	1,117,947
<b>Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</b>	<b>3,130</b>
<b>Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</b>	<b>693,383</b>
<b>Repayments of installment loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</b>	<b>39,019</b>
<b>Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6</b>	<b>1,830</b>
<b>Increases in compensated absences is an expenditure in the governmental funds, but not in the statement of activities (where it increases long-term debt)</b>	<b>(6,180)</b>
<b>Tuition reimbursement is an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt)</b>	<b>20,050</b>
<b>Proceeds from bond issuance is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)</b>	<b>(271,628)</b>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 1,710,652</b>

The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

Fiduciary Fund

Statement of Fiduciary Net Assets

Year Ended June 30, 2009

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## ASSETS

Cash and investments	\$	116,403
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## LIABILITIES

Due to student groups	\$	116,403
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The Notes to the Financial Statements are an integral part of this statement.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Inland Lakes Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

### **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 primary government. 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. All of the School District's government-wide activities are considered governmental activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Building and Site Fund** - The Building and Site Fund accounts for proceeds of long-term debt and other revenues to finance improvements and construction in the district.

## **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on December 1. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory until used. When payments to vendors reflect costs applicable to future fiscal years they are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated personal and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**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.

**Comparative Data/Reclassifications** - Comparative data is not included in the School District's financial statements.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund and Function</u>	<u>Final</u> <u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<b>General Fund</b>			
Added needs	\$ 1,121,039	\$ 1,124,747	\$ 3,708
Instructional staff services	48,646	51,128	2,482
Operation and maintenance	772,300	776,331	4,031
Pupil transportation	324,525	389,050	64,525

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

## Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

As of June 30, 2009, the district had the following deposits.

Citizens Bank	\$	2,036,115
National City Bank		310,281
<b>Total</b>	<b>\$</b>	<b>2,346,396</b>

**Interest Rate Risk.** The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The district has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk.** The district places no limit on the amount the district may invest in any one issuer. More than five percent of the district's deposits are in Citizens Bank, and National City Bank. These investments are 86.8%, and 13.2%, respectively, of the district's total deposits.

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 2,334,624	\$ 116,403	\$ 2,451,027

The deposits of the School District were reflected in the accounts of financial institutions at \$2,346,396, of which \$530,583 is covered by federal depository insurance. \$1,815,813 is uninsured.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

## Note 4 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Assets not being depreciated	\$ 160,000	\$	\$	\$ 160,000
Capital assets being depreciated:				
Building and improvements	7,203,483	1,380,711		8,584,194
Land improvements	2,489,966			2,489,966
Equipment	934,398	56,790	31,484	959,704
Vehicles	846,828	71,628	61,771	856,685
<b>Subtotal</b>	<b>11,474,675</b>	<b>1,509,129</b>	<b>93,255</b>	<b>12,890,549</b>
Accumulated depreciation:				
Building and improvements	3,502,487	135,591		3,638,078
Land improvements	1,616,359	124,169		1,740,528
Equipment	687,372	76,474	31,484	732,362
Vehicles	582,469	54,948	61,771	575,646
<b>Subtotal</b>	<b>6,388,687</b>	<b>391,182</b>	<b>93,255</b>	<b>6,686,614</b>
<b>Net capital assets being depreciated</b>	<b>5,085,988</b>	<b>1,117,947</b>		<b>6,203,935</b>
<b>Net capital assets</b>	<b>\$ 5,245,988</b>	<b>\$ 1,117,947</b>	<b>\$</b>	<b>\$ 6,363,935</b>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Athletics	\$	38,703
Food Service		2,126
Unallocated		350,353
<b>Total governmental activities</b>	<b>\$</b>	<b>391,182</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To			Total
	Athletics	Capital Projects	Food Service	
General Fund	\$ 5,820	\$ 251,578	\$ 10,142	\$ 267,540
<b>Total</b>	<b>\$ 5,820</b>	<b>\$ 251,578</b>	<b>\$ 10,142</b>	<b>\$ 267,540</b>

Interfund Transfers

	Transfer Out	
	General Fund	
Transfers in:		
Athletics Fund	\$	183,028
Capital Projects		4,690
<b>Total</b>	<b>\$</b>	<b>187,718</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

## Note 6 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and purchase contracts.

The following is a summary of long-term debt transactions for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amount due Within One Year
Bonds payable	\$ 6,449,914	\$ 200,000	\$ 693,383	\$ 5,956,531	\$ 753,544
Installment purchase agreements	111,019	71,628	39,019	143,628	41,800
<b>Total Bonds and Installment Purchase Agreements</b>	<b>6,560,933</b>	<b>271,628</b>	<b>732,402</b>	<b>6,100,159</b>	<b>795,344</b>
Tuition reimbursement	49,009	6,180	20,050	35,139	11,713
Compensated absences	37,530		1,830	35,700	
<b>Total Long-Term Debt</b>	<b>\$ 6,647,472</b>	<b>\$ 277,808</b>	<b>\$ 754,282</b>	<b>\$ 6,170,998</b>	<b>\$ 807,057</b>

The annual requirement to amortize long-term debt outstanding as of June 30, 2009 follows:

Year ended June 30,	Principal	Interest	Total
2010	\$ 795,344	\$ 225,346	\$ 1,020,690
2011	852,824	196,875	1,049,699
2012	881,689	166,031	1,047,720
2013	890,874	134,617	1,025,491
2014	906,800	102,219	1,009,019
2015	907,628	68,431	976,059
2016	865,000	33,736	898,736
<b>Totals</b>	<b>\$ 6,100,159</b>	<b>\$ 927,255</b>	<b>\$ 7,027,414</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## Governmental Activities

Bonds and contracts payable at June 30, 2009 were comprised of the following:

<u>Bonds and Notes Payable</u>	
<u>Bonds Payable</u>	
2003 refunding of the 1995 Building and Site Construction Bonds, due in annual installments of \$275,000 to \$865,000 through May 1, 2016; interest at 2.00% to 3.90%	\$ 5,520,000
1993 Refunding Bonds, due in annual installments of \$215,000 to \$260,000 through May 1, 2010; interest at 4.70% to 5.20%	240,000
\$300,342 School Improvement Bond, Series 1998, Durant Settlement, due May 15, 1999 through 2013 in annual installments of \$3,082 to \$13,920; interest is 4.761353%	21,531
\$200,000 2008 School Improvement Bond, due May 1, 2010 through 2015 in annual installments of \$25,000 to \$30,000; interest is 4.0% paid semi-annually	175,000
<b>Total Bonds Payable</b>	<b>5,956,531</b>
<u>Notes Payable</u>	
Installment purchase agreement payable to Citizens National Bank secured by a bus, due through May 2015 in annual installments ranging from \$11,800 to \$12,628 plus interest charged at 4.95%	71,628
Installment purchase agreement payable to National City Bank secured by a bus, due through May 2009 in annual installments ranging from \$9,000 to \$13,845 plus interest charged at 3.4%	9,000
Installment purchase agreement payable to National City Bank secured by a bus, due through May 2012 in annual installments ranging from \$21,000 to \$22,207 plus interest charged at 4.37%	63,000
<b>Total Installment purchase agreements Payable</b>	<b>143,628</b>
<b>Total General Obligation Bonds and Installment Purchase Agreements</b>	<b>\$ 6,100,159</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## **Note 7 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## **Note 8 - Defined Benefit Pension Plan and Post-employment Benefits**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.72 percent for the period from July 1, 2008 through September 30, 2008 and 16.54 percent for the period from October 1, 2008 through June 30, 2009 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2009, 2008, and 2007 were \$662,043, \$707,736, and \$778,463, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

# Inland Lakes Schools

Cheboygan County, Michigan

Notes to Financial Statements

June 30, 2009

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## Note 9- Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
General Fund	\$	\$ 18,962
Food Service Fund		1,827
<b>Total</b>	<b>\$</b>	<b>\$ 20,789</b>

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## **REQUIRED SUPPLEMENTAL INFORMATION**

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# Inland Lakes Schools

Cheboygan County, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

For the year ended June 30, 2009

	Original Budget	Final Amended Budget	Actual
<b>REVENUES</b>			
Local sources	\$ 3,993,769	\$ 4,149,340	\$ 4,050,466
State sources	3,364,362	3,514,487	3,248,045
Federal sources	349,661	394,837	722,371
<b>TOTAL REVENUES</b>	<b>7,707,792</b>	<b>8,058,664</b>	<b>8,020,882</b>
<b>EXPENDITURES</b>			
Instruction			
Basic programs	4,149,856	4,144,577	4,130,323
Added needs	1,178,801	1,121,039	1,124,747
Support services			
Pupil services	94,036	156,060	141,167
Instructional staff services	206,811	48,646	51,128
General administrative services	351,297	356,084	309,683
School administrative services	478,348	474,527	471,486
Business services	265,743	200,143	196,472
Operations and maintenance	844,920	772,300	776,331
Pupil transportation	466,820	324,525	389,050
Support services technology		179,331	178,576
Community services	155,194	172,409	142,334
Staff/Personnel Services		1,000	644
<b>TOTAL EXPENDITURES</b>	<b>8,191,826</b>	<b>7,950,641</b>	<b>7,911,941</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(484,034)</b>	<b>108,023</b>	<b>108,941</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	(191,741)	(184,239)	(187,718)
Transfers to other governmental units	(29,070)	(41,990)	(41,990)
Loan proceeds			71,628
Interdistrict sources	228,921	225,095	225,095
Debt retirement		(74,256)	(74,289)
Improvements		(21,500)	(16,810)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,110</b>	<b>(96,890)</b>	<b>(24,084)</b>
<b>Excess (deficiency) of revenue over expenditures and other sources (uses)</b>	<b>(475,924)</b>	<b>11,133</b>	<b>84,857</b>
<b>Fund Balance at beginning of year</b>	<b>987,588</b>	<b>987,588</b>	<b>987,588</b>
<b>Fund Balance at end of year</b>	<b>\$ 511,664</b>	<b>\$ 998,721</b>	<b>\$ 1,072,445</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - Capital Projects Fund

For the year ended June 30, 2009

	Actual
<b><u>REVENUES</u></b>	
Local sources	\$ 2,753
<b><u>EXPENDITURES</u></b>	
Capital outlay	273,911
Excess (deficiency) of revenue over expenditures	(271,158)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Operating transfers in	4,690
Bond proceeds	200,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>204,690</b>
Excess (deficiency) of revenue over expenditures and other sources (uses)	(66,468)
Fund Balance at beginning of year	350,189
Fund Balance at end of year	\$ 283,721

The District is not required to adopt a budget for the Building and Site Fund and did not do so.

## COMBINING FUND STATEMENTS

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# Inland Lakes Schools

Cheboygan County, Michigan  
Nonmajor Governmental Funds  
Combining Balance Sheet  
For the year ended June 30, 2009

	Special Revenue Funds	
	Food Service	Athletics
<b><u>ASSETS</u></b>		
Cash and investments	\$ 59,448	\$ 8,482
Receivables		
Taxes		
Due from other funds	10,142	5,820
Inventory	7,719	
<b>TOTAL ASSETS</b>	<b>\$ 77,309</b>	<b>\$ 14,302</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 11,919	\$ 14,302
Deferred revenue	1,827	
<b>TOTAL LIABILITIES</b>	<b>13,746</b>	<b>14,302</b>
<b>FUND BALANCE</b>		
Reserved for inventories	7,719	
Reserved for debt service		
Undesignated	55,844	
<b>TOTAL FUND BALANCE</b>	<b>63,563</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 77,309</b>	<b>\$ 14,302</b>

Debt Service Funds		Capital Projects Funds		Total
1993 Refunding Bonds	2003 Refunding Bonds	Durant Settlement		
\$ 174,804	\$ 298,180	\$	\$	540,914
175	346			521
				15,962
				7,719
<b>\$ 174,979</b>	<b>\$ 298,526</b>	<b>\$</b>	<b>\$</b>	<b>565,116</b>
				26,221
				1,827
				28,048
				7,719
174,979	298,526			473,505
				55,844
<b>174,979</b>	<b>298,526</b>			<b>537,068</b>
<b>\$ 174,979</b>	<b>\$ 298,526</b>	<b>\$</b>	<b>\$</b>	<b>565,116</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Nonmajor Governmental Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2009

	<u>Special Revenue Funds</u>	
	Food Service	Athletics
<b><u>REVENUE</u></b>		
Local sources	\$ 137,224	\$ 46,951
State Sources	25,471	
Federal sources	257,402	
<b>TOTAL REVENUES</b>	<b>420,097</b>	<b>46,951</b>
<b><u>EXPENDITURES</u></b>		
Current		
Food service	356,534	
Athletics		229,979
Principal		
Interest		
<b>TOTAL EXPENDITURES</b>	<b>356,534</b>	<b>229,979</b>
Excess (deficiency) of revenue over expenditures	63,563	(183,028)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Operating transfer in		183,028
Excess (deficiency) of revenue over expenditures and other sources (uses)	63,563	
<b>Fund Balance at beginning of year</b>		
<b>Fund Balance at end of year</b>	<b>\$ 63,563</b>	<b>\$</b>

Debt Service Funds		Capital Projects Funds	
1993 Refunding Bonds	2003 Refunding Bonds	Durant Settlement	Total
\$ 313,157	\$ 621,367	\$ 4,269	\$ 1,118,699
			29,740
			257,402
<b>313,157</b>	<b>621,367</b>	<b>4,269</b>	<b>1,405,841</b>
			356,534
			229,979
245,000	420,000	3,383	668,383
25,325	213,050	886	239,261
<b>270,325</b>	<b>633,050</b>	<b>4,269</b>	<b>1,494,157</b>
42,832	(11,683)		(88,316)
			183,028
42,832	(11,683)		94,712
132,147	310,209		442,356
<b>\$ 174,979</b>	<b>\$ 298,526</b>	<b>\$</b>	<b>\$ 537,068</b>

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## OTHER SUPPLEMENTAL DATA

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**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2009**

	2009	2008
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,756,567	\$ 1,725,734
Accounts receivable	20,506	69,910
Due from other funds		6,046
Due from other governmental units	845,740	783,604
<b>TOTAL ASSETS</b>	<b>\$ 2,622,813</b>	<b>\$ 2,585,294</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 214,128	\$ 180,209
Salaries payable	461,205	475,854
Notes payable	188,741	235,502
Deferred revenue	18,962	60,822
Accrued expenditures	260,814	262,308
Due to other funds	267,540	251,671
Due to other governmental units	138,978	131,340
<b>TOTAL LIABILITIES</b>	<b>1,550,368</b>	<b>1,597,706</b>
<b>FUND BALANCE</b>		
Designated for technology/ textbooks	76,038	31,038
Unreserved, undesignated	996,407	956,550
<b>TOTAL FUND BALANCE</b>	<b>1,072,445</b>	<b>987,588</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,622,813</b>	<b>\$ 2,585,294</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2009 with comparative actual amounts for 2008**

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<b>REVENUES</b>				
Local sources	\$ 4,149,340	\$ 4,050,466	\$ (98,874)	\$ 4,014,957
State sources	3,514,487	3,248,045	(266,442)	3,833,757
Federal sources	394,837	722,371	327,534	303,042
<b>TOTAL REVENUES</b>	<b>8,058,664</b>	<b>8,020,882</b>	<b>(37,782)</b>	<b>8,151,756</b>
<b>EXPENDITURES</b>				
Basic programs	4,144,577	4,130,323	14,254	4,162,603
Added needs	1,121,039	1,124,747	(3,708)	1,102,532
Supporting services				
Pupil services	156,060	141,167	14,893	128,917
Instructional staff services	48,646	51,128	(2,482)	52,954
General administrative services	356,084	309,683	46,401	301,500
School administrative services	474,527	471,486	3,041	472,995
Business services	200,143	196,472	3,671	199,973
Operations and maintenance	772,300	776,331	(4,031)	783,658
Pupil transportation	324,525	389,050	(64,525)	369,588
Support Services Technology	179,331	178,576	755	247,306
Community services	172,409	142,334	30,075	94,657
Staff/Personnel Services	1,000	644	356	8,191
<b>TOTAL EXPENDITURES</b>	<b>7,950,641</b>	<b>7,911,941</b>	<b>38,700</b>	<b>7,924,874</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>108,023</b>	<b>108,941</b>	<b>918</b>	<b>226,882</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(184,239)	(187,718)	(3,479)	(298,674)
Transfers to other governmental units	(41,990)	(41,990)		(29,069)
Loan proceeds		71,628	71,628	
Interdistrict sources	225,095	225,095		228,148
Debt retirement	(74,256)	(74,289)	(33)	(63,832)
Improvements	(21,500)	(16,810)	4,690	(52,419)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(96,890)</b>	<b>(24,084)</b>	<b>72,806</b>	<b>(215,846)</b>
<b>Excess (deficiency) of revenue over expenditures and other sources (uses)</b>	<b>11,133</b>	<b>84,857</b>	<b>73,724</b>	<b>11,036</b>
<b>Fund Balance at beginning of year</b>	<b>987,588</b>	<b>987,588</b>		<b>976,552</b>
<b>Fund Balance at end of year</b>	<b>\$ 998,721</b>	<b>\$ 1,072,445</b>	<b>\$ 73,724</b>	<b>\$ 987,588</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>REVENUES</b>		
<b>Local sources</b>		
Property taxes	\$ 3,896,171	\$ 3,835,300
Transportation fees		83
Interest on invested balances	36,300	87,068
Sales to users	4,485	4,721
Other local revenues	113,510	87,785
<b>Total Local sources</b>	<b>4,050,466</b>	<b>4,014,957</b>
<b>State sources</b>		
State aid foundation	2,940,153	3,544,265
At-risk	236,381	220,334
Other state grants	71,511	69,158
<b>Total State sources</b>	<b>3,248,045</b>	<b>3,833,757</b>
<b>Federal sources</b>		
Title 1	130,606	118,891
Title II	62,048	60,874
Workforce Investment Act	136,051	88,519
ARRA Stabilization Funds	364,549	
Other federal grants	29,117	34,758
<b>Total Federal sources</b>	<b>722,371</b>	<b>303,042</b>
<b>TOTAL REVENUES</b>	<b>8,020,882</b>	<b>8,151,756</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>EXPENDITURES</b>		
<b>Basic programs</b>		
<b>Elementary</b>		
Professional salaries	\$ 818,323	\$ 831,575
Non-professional salaries	20,879	14,429
Insurances	235,592	239,039
Other benefits	11,255	9,284
FICA and retirement	204,770	207,696
Purchased services	38,579	48,480
Supplies and materials	13,833	14,320
Capital outlay	1,487	985
Other	725	625
<b>Total Elementary</b>	<b>1,345,443</b>	<b>1,366,433</b>
<b>Middle School</b>		
Professional salaries	794,786	793,318
Non-professional salaries	15,464	12,329
Insurances	248,440	223,280
Other benefits	3,998	28,003
FICA and retirement	196,085	199,492
Purchased services	24,264	44,197
Supplies and materials	15,808	56,184
Capital outlay	9,976	361
Other	750	725
<b>Total Middle School</b>	<b>1,309,571</b>	<b>1,357,889</b>
<b>High School</b>		
Professional salaries	839,345	814,325
Non-professional salaries	25,222	23,001
Insurances	232,178	214,942
Other benefits	16,362	23,509
FICA and retirement	210,942	205,300
Purchased services	64,103	53,386
Supplies and materials	47,658	83,352
Capital outlay	9,204	256
Other	30,295	20,210
<b>Total High School</b>	<b>1,475,309</b>	<b>1,438,281</b>
<b>Total Basic programs</b>	<b>4,130,323</b>	<b>4,162,603</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>Added needs</b>		
Special education		
Professional salaries	\$ 248,891	\$ 281,601
Non-professional salaries	115,943	102,728
Insurances	150,885	143,488
Other benefits	6,587	2,900
FICA and retirement	89,327	95,038
Purchased services	17,186	14,720
Supplies and materials	2,039	2,781
<b>Total Special education</b>	<b>630,858</b>	<b>643,256</b>
Title 1		
Professional salaries	216,512	224,631
Non-professional salaries	21,728	20,944
Insurances	78,207	54,955
Other benefits		4,655
FICA and retirement	57,746	59,268
Purchased services	84,847	63,163
Supplies and materials	3,236	1,487
Other	3,287	2,990
<b>Total Title 1</b>	<b>465,563</b>	<b>432,093</b>
Alternative education		
Professional salaries	21,768	21,184
FICA and retirement	4,095	3,998
Supplies and materials	2,463	2,001
<b>Total Alternative education</b>	<b>28,326</b>	<b>27,183</b>
<b>Total Added needs</b>	<b>1,124,747</b>	<b>1,102,532</b>
<b>Pupil services</b>		
Guidance services		
Professional salaries	59,817	49,651
Insurances	16,945	15,640
FICA and retirement	14,538	12,222
Purchased services		231
Supplies and materials	438	559
Other	65	
<b>Total Guidance services</b>	<b>91,803</b>	<b>78,303</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>Health services</b>		
Non-professional salaries	\$ 11,768	\$ 1,500
FICA and retirement	2,484	
Purchased services	25,813	9,466
Supplies and materials	2,740	762
<b>Total Health services</b>	<b>42,805</b>	<b>11,728</b>
<b>Other pupil services</b>		
Professional salaries	798	11,053
FICA and retirement	195	2,694
Purchased services	5,566	20,420
Supplies and materials		4,719
<b>Total Other pupil services</b>	<b>6,559</b>	<b>38,886</b>
<b>Total Pupil services</b>	<b>141,167</b>	<b>128,917</b>
<b>Instructional staff services</b>		
Improvement of instruction		
Purchased services	1,169	2,567
<b>Total Improvement of instruction</b>	<b>1,169</b>	<b>2,567</b>
<b>Library</b>		
Professional salaries	17,455	22,460
Non-professional salaries	9,942	3,582
Insurances	643	901
Other benefits	490	1,955
FICA and retirement	6,735	6,626
Supplies and materials	7,150	5,626
Capital outlay		1,671
<b>Total Library</b>	<b>42,415</b>	<b>42,821</b>
<b>Computers</b>		
<b>Other instructional staff services</b>		
Professional salaries	6,072	6,072
FICA and retirement	1,472	1,494
<b>Total Other instructional staff services</b>	<b>7,544</b>	<b>7,566</b>
<b>Total Instructional staff services</b>	<b>51,128</b>	<b>52,954</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>General administrative services</b>		
Board of education		
Professional salaries	\$ 5,254	\$ 3,549
FICA and retirement	408	196
Purchased services	96,206	90,923
Supplies and materials		
Capital outlay	4,034	
Other	5,444	6,166
<b>Total Board of education</b>	<b>111,346</b>	<b>100,834</b>
<b>Executive administration</b>		
Professional salaries	89,000	89,000
Non-professional salaries	29,236	28,684
Insurances	33,417	37,000
Other benefits	8,215	8,044
FICA and retirement	29,996	30,260
Purchased services	3,364	2,677
Supplies and materials	686	412
Other	4,423	4,589
<b>Total Executive administration</b>	<b>198,337</b>	<b>200,666</b>
<b>Total General administrative services</b>	<b>309,683</b>	<b>301,500</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>School administrative services</b>		
Office of the Principal		
Professional salaries	\$ 219,986	\$ 219,986
Non-professional salaries	67,961	68,373
Insurances	100,217	102,117
Other benefits	2,262	545
FICA and retirement	70,015	70,294
Purchased services	3,252	2,673
Supplies and materials	4,738	6,141
Capital outlay	552	353
Other	2,503	2,513
<b>Total School administrative services</b>	<b>471,486</b>	<b>472,995</b>
<b>Business services</b>		
Professional salaries	85,734	85,289
Non-professional salaries	5,465	5,262
Insurances	34,384	38,714
FICA and retirement	22,194	22,356
Purchased services	22,643	20,713
Supplies and materials	19,115	17,631
Capital outlay	2,459	4,798
Other	4,478	5,210
<b>Total Business services</b>	<b>196,472</b>	<b>199,973</b>
<b>Operations and maintenance</b>		
Non-professional salaries	221,742	221,057
Insurances	125,225	110,966
Other benefits	290	
FICA and retirement	55,031	53,960
Purchased services	130,795	126,896
Supplies and materials	208,862	200,609
Capital outlay	34,386	70,170
<b>Total Operations and maintenance</b>	<b>776,331</b>	<b>783,658</b>
<b>Pupil transportation</b>		
Non-professional salaries	145,142	157,067
Insurances	27,751	44,038
Other benefits	3,787	3,501
FICA and retirement	36,639	39,227
Purchased services	13,575	19,955
Supplies and materials	76,527	102,480
Capital outlay	85,629	3,320
<b>Total Pupil transportation</b>	<b>389,050</b>	<b>369,588</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>Support Services Technology</b>		
Non-professional salaries	\$ 57,057	\$ 56,132
Insurances	18,246	19,770
Other benefits		218
FICA and retirement	13,824	13,797
Purchased services	21,363	19,539
Supplies and materials	1,132	20
Capital outlay	66,835	137,710
Other	119	120
<b>Total Support Services Technology</b>	<b>178,576</b>	<b>247,306</b>
<b>Community services</b>		
Non-professional salaries	2,752	
Purchased services	115,770	88,172
Supplies and materials	23,812	6,485
<b>Total Community services</b>	<b>142,334</b>	<b>94,657</b>
<b>Staff/Personnel Services</b>		
Other	644	8,191
<b>Total Staff/Personnel Services</b>	<b>644</b>	<b>8,191</b>
<b>TOTAL EXPENDITURES</b>	<b>7,911,941</b>	<b>7,924,874</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>108,941</b>	<b>226,882</b>

**Inland Lakes Schools**  
**Cheboygan County, Michigan**  
**General Fund**

**Comparative Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Operating transfers out	\$ (187,718)	\$ (298,674)
Transfers to other governmental units	(41,990)	(29,069)
Loan proceeds	71,628	
Interdistrict sources	225,095	228,148
Debt retirement	(74,289)	(63,832)
Improvements	(16,810)	(52,419)
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b><u>(24,084)</u></b>	<b><u>(215,846)</u></b>
Excess (deficiency) of revenue over expenditures and other sources (uses)	84,857	11,036
Fund Balance at beginning of year	987,588	976,552
Fund Balance at end of year	\$ 1,072,445	\$ 987,588

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## **LONG-TERM DEBT SCHEDULES**

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# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$7,245,000 Refunding Bonds Dated November 20, 2003

June 30, 2009

Year ended		Principal		Interest		
June 30	Interest Rate	May 1		May 1		Total
2010	3.250%	\$	485,000	\$	199,058	\$ 684,058
2011	3.300%		780,000		183,296	963,296
2012	3.500%		815,000		157,556	972,556
2013	3.600%		845,000		129,030	974,030
2014	3.700%		865,000		98,610	963,610
2015	3.800%		865,000		66,606	931,606
2016	3.900%		865,000		33,736	898,736
<b>Totals</b>		<b>\$</b>	<b>5,520,000</b>	<b>\$</b>	<b>867,892</b>	<b>\$ 6,387,892</b>

The bonds or portions of bonds in multiples of \$5,000, maturing on or after May 1, 2014, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2013, at par plus accrued interest to the date fixed for redemption.

# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$2,615,000 Refunding Bonds Dated November 1, 1993

June 30, 2009

Year ended		Principal		Interest		
June 30	Interest Rate	May 1		May 1		Total
2010	5.200%	\$	240,000	\$	12,480	\$ 252,480
Totals		\$	240,000	\$	12,480	\$ 252,480

The bonds or portions of bonds in multiples of \$5,000, maturing on or after May 1, 2004, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2003, at the redemption prices set forth in the following table:

Redemption Period	Redemption Price
May 1, 2003 through April 30, 2004	101.0%
May 1, 2004 through April 30, 2005	100.5%
May 1, 2005 and thereafter	100.0%

# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$60,785 School Improvement Bonds Series 1998, Durant Settlement

June 30, 2009

Year ended		Principal	Interest	
June 30	Interest Rate	May 1	May 1	Total
2010	4.761353%	\$ 3,544	\$ 725	\$ 4,269
2011	4.761353%	10,024	2,782	12,806
2012	4.761353%	3,889	380	4,269
2013	4.761353%	4,074	194	4,268
<b>Totals</b>		<b>\$ 21,531</b>	<b>\$ 4,081</b>	<b>\$ 25,612</b>

# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$71,628 Installment Purchase Agreement, 2010 School Bus

June 30, 2009

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Year ended					
June 30	Interest Rate	Principal	Interest	Total	
2010	4.950%	\$ 11,800	\$ 3,024	\$ 14,824	
2011	4.950%	11,800	2,962	14,762	
2012	4.950%	11,800	2,377	14,177	
2013	4.950%	11,800	1,793	13,593	
2014	4.950%	11,800	1,209	13,009	
2015	4.950%	12,628	625	13,253	
<b>Totals</b>		<b>\$ 71,628</b>	<b>\$ 11,990</b>	<b>\$ 83,618</b>	

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# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$58,845 Installment Purchase Agreement, 2005 School Bus

June 30, 2009

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Year ended					
June 30	Interest Rate	Principal	Interest	Total	
2010	3.400%	\$ 9,000	\$ 306	\$ 9,306	
Totals		\$ 9,000	\$ 306	\$ 9,306	

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# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$127,207 Installment Purchase Agreement, 2006 School Bus

June 30, 2009

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Year ended					
June 30	Interest Rate	Principal	Interest		Total
2010	4.370%	\$ 21,000	\$ 2,753	\$	23,753
2011	4.370%	21,000	1,835		22,835
2012	4.370%	21,000	918		21,918
<b>Totals</b>		<b>\$ 63,000</b>	<b>\$ 5,506</b>	<b>\$</b>	<b>68,506</b>

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# Inland Lakes Schools

Cheboygan County, Michigan

Schedule of Bonded Debt

\$200,000 2008 School Improvement Bonds

June 30, 2009

Year ended June 30	Interest Rate	Principal	Interest November 1	Total
2010	4.000%	\$ 25,000	\$ 3,500	\$ 32,000
2011	4.000%	30,000	3,000	36,000
2012	4.000%	30,000	2,400	34,800
2013	4.000%	30,000	1,800	33,600
2014	4.000%	30,000	1,200	32,400
2015	4.000%	30,000	600	31,200
<b>Totals</b>		<b>\$ 175,000</b>	<b>\$ 12,500</b>	<b>\$ 200,000</b>