

METROPOLITAN LIBRARY SYSTEM

ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2010

A Sikich LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT



998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Metropolitan Library System

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Metropolitan Library System (the System), as of and for the year ended June 30, 2010 and the Library Insurance Management and Risk Control Combination (LIMRiCC) a blended component unit, through March 31, 2010, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Metropolitan Library System's 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. 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.

As described in Note 1, the LIMRiCC changed its by-laws and, effective March 31, 2010, is no longer a blended component unit of the System.

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 Metropolitan Library System, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary 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 System's basic financial statements. The combining and individual fund financial statements and schedules in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Metropolitan Library System. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Sibich LLP".

Aurora, Illinois
August 10, 2010

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

Metropolitan Library System, Illinois
Management's Discussion and Analysis

August 5, 2010

As the management of the Metropolitan Library System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2010. This analysis is intended to be an easily readable overview of current year activities and operations and should be read in combination with the basic financial statements that follow.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Financial Highlights

- Assets exceeded liabilities by \$4,250,988 (net assets) at the close of the fiscal year. Of this amount, \$2,733,190 is unrestricted and available to meet ongoing and future obligations.
- The change in total net assets for the System is (\$4,467,684.) Governmental activities had a decrease of \$58,831 primarily from reduced operating grant revenue in the General Fund. Business-type activities had a decrease of \$4,408,853 primarily due to the transfer out of LIMRiCC.
- Total governmental funds reported an end of the year fund balance of \$1,932,459. This was an overall decrease of \$7,318. This resulted from lower revenue from state grants.
- Governmental funds reported a combined total of \$3,067,416 in revenues and \$3,083,657 in expenditures.
- The General Fund's total revenue of \$2,789,382 was higher than final budget by \$33,071. The total expenditures in the General Fund of \$2,805,623 were lower than final budget by \$96,738. After operating transfer in of \$8,923 the net activity resulted in a \$7,318 decrease in the fund balance.
- The proprietary LIMRiCC Fund is no longer a component unit of Metropolitan Library System and \$4,412,439 was transferred out as of March 31, 2010.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

Prior to 2004 the primary focus of local government financial statements had been summarized by fund type information on a current financial resource basis. This approach has been modified and the System's financial statements present two kinds of statements, each with a different snapshot of the System's finances. The new financial statement's focus is on both the System as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the System's accountability.

Government-Wide Financial Statements

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

The Statement of Net Assets presents information on all of the System'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 System is improving or deteriorating.

The Statement of Activities presents information showing how the System'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 the 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 government-wide financial statements distinguish functions of the System that are principally supported by operating grants, capital grants, 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 of the System are culture and recreation specifically relating to public, academic, school, and special libraries. The business-type activities of the System include the insurance programs, the integrated library automation system, and group activities for System members.

The government-wide financial statements can be found on pages 3 through 5 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 System, 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 System can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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 government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 System maintains eight 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. The General Fund and Building Improvements Fund are considered to be major funds. Data from the other six 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.

The System adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The System adopted the original budget in May 2009. The budget was amended in September 2009 for fiscal year 2010 due to a grant funding reduction.

The basic governmental fund financial statements can be found on pages 6 - 9 of this report.

Proprietary Funds

The System maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The System uses enterprise funds to account for its system-wide automation network, group activities for members, and insurance programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Computer Fund, Reimbursement Fund, and LIMRiCC Fund, which are all considered to be major funds.

The basic proprietary fund financial statements can be found on pages 10 - 12 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the System's progress in funding its obligation to provide pension benefits to its employees and claims development information for the self-insurance pool. Required supplementary information can be found on pages 26 - 30 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 31 - 39 of this report.

Financial Analysis of the System as a Whole Government-Wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the System's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 2,201,538	2,074,135	1,377,040	5,798,854	3,578,578	7,872,989
Capital Assets	886,835	968,590	191,186	258,649	1,078,021	1,227,239
Total Assets	3,088,373	3,042,725	1,568,226	6,057,503	4,656,599	9,100,228
Long-term liabilities	72,664	92,615	-	-	72,664	92,615
Other Liabilities	269,079	144,649	63,868	144,292	332,947	288,941
Total Liabilities	341,743	237,264	63,868	144,292	405,611	381,556
Net Assets:						
Invested in capital assets	886,835	968,590	191,186	258,649	1,078,021	1,227,239
Restricted	439,777	439,777	-	-	439,777	439,777
Unrestricted	1,420,018	1,397,094	1,313,172	5,654,562	2,733,190	7,051,656
Total Net Assets	\$ 2,746,630	2,805,461	1,504,358	5,913,211	4,250,988	8,718,672

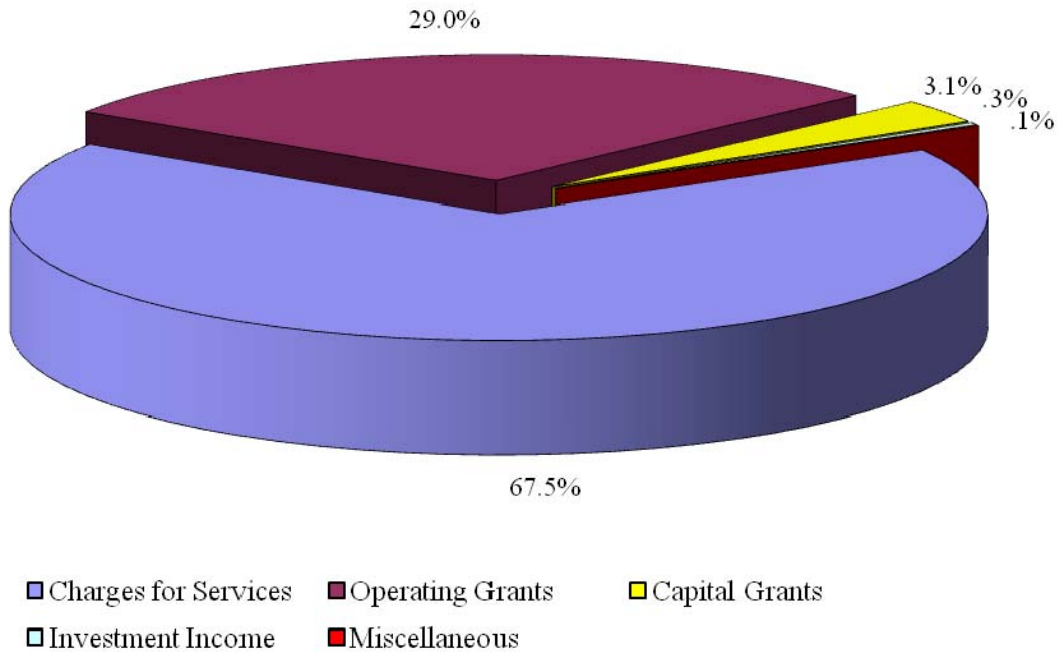
The governmental activities end-of-year total net assets of \$2,746,630 reflect a decrease of \$58,831 from the beginning year's net asset balance. The restricted amount of \$439,777 is designated for Building Improvements and had no change for the year. The business-type end-of-year total net assets of \$1,504,358 reflect a decrease of \$4,408,853 for the year's activities. LIMRiCC activity was transferred out effective March 31, 2010. Additionally, the Computer Fund continued to build unrestricted net assets with addition of \$177,081. For more detailed information, see the Statement of Net Assets on page 3.

The following table summarizes the government-wide statement of changes in net assets for the year ended June 30, 2010:

Table 2
Governmental and Business-Type Activities

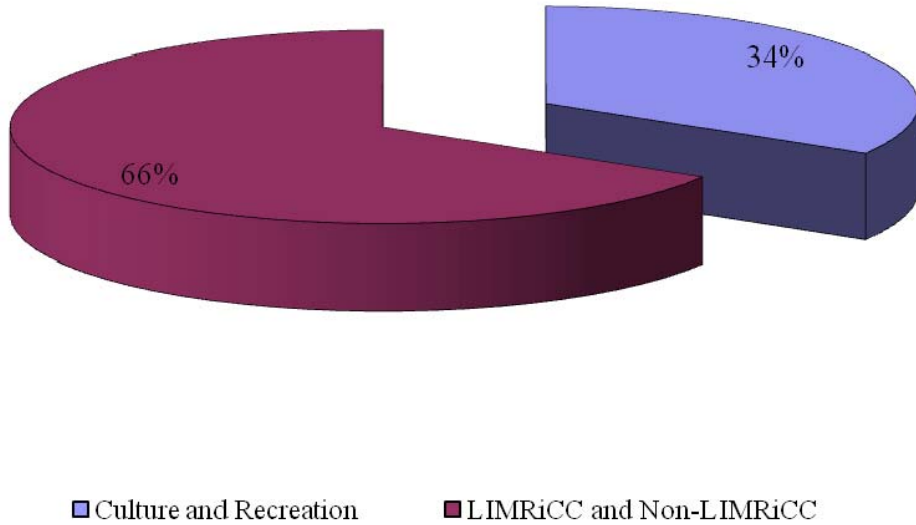
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:						
Charges for Services	\$ 80,651	45,656	6,174,488	5,404,345	6,255,139	5,450,001
Operating Grants	2,686,571	3,217,450	-	-	2,686,571	3,217,450
Capital Grants	283,939	197,460	-	-	283,939	197,460
General Revenues:						
Investment Income	5,649	18,062	21,954	67,163	27,603	85,225
Miscellaneous	10,606	18,139	-	-	10,606	18,139
Total Revenues	3,067,416	3,496,767	6,196,442	5,471,508	9,263,858	8,968,275
EXPENSES						
Culture and Recreation	3,135,170	3,402,575	-	-	3,135,170	3,402,575
LIMRiCC and Non-LIMRiCC	-	-	6,183,933	5,103,784	6,183,933	5,103,784
Total Expenses	3,135,170	3,402,575	6,183,933	5,103,784	9,319,103	8,506,359
Increase in net assets before contributions and transfers	(67,754)	94,192	12,509	367,724	(55,245)	461,916
Contributions	-	-	-	-	-	-
Transfers	8,923	8,003	(4,421,362)	(8,003)	(4,412,439)	-
Change in Net Assets	\$ (58,831)	102,195	(4,408,853)	359,721	(4,467,684)	461,916
Net assets July 1	2,805,461	2,703,266	5,913,211	5,553,490	8,718,672	8,256,756
Net assets June 30	2,746,630	2,805,461	1,504,358	5,913,211	4,250,988	8,718,672

REVENUES



The System's total revenues for fiscal year 2010 were \$9,263,858. This is a 3.3% increase over fiscal year 2009 and is from the increase in charges for LIMRiCC and Computer Fund. Charges for services continued to be primarily from two sources: members' insurance premiums and reimbursements for charges associated with the system-wide automation network and continuing education. Members' insurance premiums totaled \$3,010,185 in fiscal year 2010 through March 31, 2010 compared with \$2,837,873 for all of fiscal year 2009. The increase is from continued membership growth and rate increases associated with renewals. Premium amounts for members are recalculated annually. Reimbursements totaled \$1,902,863 in fiscal year 2010 compared to \$1,303,652 in fiscal year 2009. This large variance was from a large group purchase of databases. Investment Income continued its dramatic decline dropping \$57,622 from fiscal year 2009 due to much lower interest rates. This particularly impacts the LIMRiCC fund as a large cash balance is maintained. Operating grants, the primary source of revenue for the General Fund, totaled \$2,686,571 for fiscal year 2010. This is a 16.5% reduction from fiscal year 2009.

EXPENSES



The System's expenses totaled \$9,319,103 for fiscal year 2010. This was an increase of 9.6% from last year. As the primary focus of the System is to provide services to its members, the majority of the culture and recreation expense continues to be for personnel dedicated to this task. The majority of LIMRiCC expenses relate to insurance premiums and claims paid on behalf of the members. Claim activity for unemployment activity skyrocketed for the year due to extreme number of layoffs. Non-LIMRiCC primary expenses continued to be for personnel, contractual services, and providing library materials through group purchasing.

FINANCIAL ANALYSIS OF THE SYSTEM'S FUNDS

For the fiscal year ended June 30, 2010, the governmental funds had a combined fund balance of \$1,932,459. This reflects a \$7,318 decrease from the prior year fund balance. As shown below in Table 3 the General Fund, which is the main operating fund of the Metropolitan Library System, accounted for the entire decrease. Revenues of \$2,789,382 were \$33,071 below budget. The substantial drop in revenue from fiscal year 2009 was due to grant funding reduction. The budget variance was due to increase fee revenue from LIMRiCC and reciprocal borrowing services provided. Expenditures and transfers of \$2,902,361 were also \$105,661 below budget. There were no capital outlay expenditures as the new delivery truck was not ready by the end of the fiscal year. Transfer in is from the Reimbursement Fund current year positive activity.

Table 3
General Fund Budgetary Highlights
For the Fiscal Year Ended June 30, 2010

	Fiscal Year 2010			Fiscal Year 2009	
	Original Budget	Final Budget	Actual	Original and Final Budget	Actual
Revenues:					
State Grants	\$ 3,217,450	2,686,571	2,686,571	3,217,450	3,217,450
Other	68,650	69,740	102,811	102,525	81,857
Total	<u>3,286,100</u>	<u>2,756,311</u>	<u>2,789,382</u>	<u>3,319,975</u>	<u>3,299,307</u>
Expenditures and Transfers:					
Expenditures - Current	3,223,838	2,872,361	2,805,623	3,284,975	3,109,163
Expenditures - Capital outlay	30,000	30,000	-	35,000	20,625
Transfers in	-	-	8,923	-	8,003
Transfers (out)	-	-	-	-	(177,522)
Total	<u>3,253,838</u>	<u>2,902,361</u>	<u>2,796,700</u>	<u>3,319,975</u>	<u>3,299,307</u>
Change in Fund Balance	\$ <u>32,262</u>	<u>(146,050)</u>	<u>(7,318)</u>	<u>-</u>	<u>-</u>

Capital Assets

At the end of fiscal year 2010, the System's Governmental activities had invested \$886,835 and the System's Business-Type activities had invested \$191,186 in computer capital assets and infrastructure. Additional information on the System's capital assets can be found in note 3 of this report on pages 21 - 22.

Economic Factors

The System serves public libraries in Cook, DuPage, and Will Counties along with academic, school, and special libraries in the city of Chicago. The System is primarily funded through the Illinois State Area and Per Capita Grant. The severe budgetary financial crisis at the State continues and the System had a 16.5% cut equal to \$530,879 for FY2010. In addition, the final four payments for FY2010 totaling \$1,151,978 have not been received and not anticipated to arrive until December 2010. This has caused drastic measures of cutting most services in order to operate until cash flow improves. While FY2011 funding has remained flat, state cash flow deficits have caused payment delays of approximately 153 days as of June 2010 per the Illinois Comptroller's website. Also, the loss of overfunding in IMRF due to stock market fluctuation has caused retirement costs to remain higher than in past years. The IMRF rate for Metropolitan Library System will have just over a 10% increase from 8.11% to 8.93% effective January 2011.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Scott Remmenga, Director of Finance/Executive Director of LIMRiCC, Metropolitan Library System, 125 Tower Dr, Burr Ridge, IL 60527.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 963,559	\$ 1,289,191	\$ 2,252,750
Receivables, net of allowance where applicable			
Accounts	56,561	61,272	117,833
Intergovernmental	1,151,978	-	1,151,978
Prepaid expenses	33,915	-	33,915
Inventory	-	26,577	26,577
Capital assets, not being depreciated	92,000	-	92,000
Capital assets (net of accumulated depreciation)	794,835	191,186	986,021
Total assets	3,092,848	1,568,226	4,661,074
LIABILITIES			
Accounts payable	79,328	61,363	140,691
Accrued payroll	50,899	2,505	53,404
Unearned revenue	143,327	-	143,327
Noncurrent liabilities			
Due in more than one year	72,664	-	72,664
Total liabilities	346,218	63,868	410,086
NET ASSETS			
Invested in capital assets	886,835	191,186	1,078,021
Restricted for capital improvements	439,777	-	439,777
Unrestricted	1,420,018	1,313,172	2,733,190
TOTAL NET ASSETS	\$ 2,746,630	\$ 1,504,358	\$ 4,250,988

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
FUNCTIONS/PROGRAMS				
Governmental Activities				
Culture and recreation	\$ 3,135,170	\$ 80,651	\$ 2,686,571	\$ 283,939
Total governmental activities	3,135,170	80,651	2,686,571	283,939
Business-Type Activities				
LIMRiCC and non-LIMRiCC	6,183,933	6,174,488	-	-
Total business-type activities	6,183,933	6,174,488	-	-
TOTAL PRIMARY GOVERNMENT	\$ 9,319,103	\$ 6,255,139	\$ 2,686,571	\$ 283,939

	<u>Net (Expense) Revenue and Change in Net Assets</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
	\$ (84,009)	\$ -	\$ (84,009)
	(84,009)	-	(84,009)
	-	(9,445)	(9,445)
	-	(9,445)	(9,445)
	(84,009)	(9,445)	(93,454)
General Revenues			
Investment income	5,649	21,954	27,603
Miscellaneous	10,606	-	10,606
Transfers	8,923	(4,421,362)	(4,412,439)
Total	25,178	(4,399,408)	(4,374,230)
CHANGE IN NET ASSETS	(58,831)	(4,408,853)	(4,467,684)
NET ASSETS, JULY 1	2,805,461	5,913,211	8,718,672
NET ASSETS, JUNE 30	<u>\$ 2,746,630</u>	<u>\$ 1,504,358</u>	<u>\$ 4,250,988</u>

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010

	General	Building Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 512,062	\$ 439,777	\$ 11,720	\$ 963,559
Accounts receivable	56,561	-	-	56,561
Intergovernmental receivable	1,151,978	-	-	1,151,978
Prepaid items	33,915	-	-	33,915
Due from other funds	-	-	81,526	81,526
TOTAL ASSETS	\$ 1,754,516	\$ 439,777	\$ 93,246	\$ 2,287,539
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 79,159	\$ -	\$ 169	\$ 79,328
Accrued payroll	50,899	-	-	50,899
Deferred revenue	50,250	-	93,077	143,327
Due to other funds	81,526	-	-	81,526
Total liabilities	261,834	-	93,246	355,080
FUND BALANCES				
Reserved for prepaid items	33,915	-	-	33,915
Reserved for capital improvements	-	439,777	-	439,777
Unreserved				
Undesignated - General Fund	1,458,767	-	-	1,458,767
Total fund balances	1,492,682	439,777	-	1,932,459
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,754,516	\$ 439,777	\$ 93,246	\$ 2,287,539

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

June 30, 2010

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 1,932,459
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 governmental funds	886,835
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(72,664)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,746,630</u></u>

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General	Building Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental				
State grants	\$ 2,686,571	\$ -	\$ -	\$ 2,686,571
Automation Grant	-	-	8,200	8,200
DS3 Grant	-	-	5,657	5,657
LSTA Grant	-	-	101,344	101,344
Other grants	5,905	-	162,833	168,738
Fees for services and materials	80,651	-	-	80,651
Investment income	5,649	-	-	5,649
Miscellaneous	10,606	-	-	10,606
Total revenues	2,789,382	-	278,034	3,067,416
EXPENDITURES				
Culture and recreation				
Personnel	2,226,808	-	52,159	2,278,967
Library materials, supplies, and miscellaneous	53,023	-	104,141	157,164
Publicity and public relations	-	-	1,515	1,515
Building, vehicle, and equipment management	304,247	-	-	304,247
Travel and registration	17,724	-	3,160	20,884
Administration	-	-	5,905	5,905
Professional and contractual services	157,537	-	55,998	213,535
Telecommunications	46,284	-	3,483	49,767
Outside printing services	-	-	51,614	51,614
Miscellaneous	-	-	59	59
Total expenditures	2,805,623	-	278,034	3,083,657
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,241)	-	-	(16,241)
OTHER FINANCING SOURCES (USES)				
Transfer in	8,923	-	-	8,923
Total other financing sources (uses)	8,923	-	-	8,923
NET CHANGES IN FUND BALANCES	(7,318)	-	-	(7,318)
FUND BALANCES, JULY 1	1,500,000	439,777	-	1,939,777
FUND BALANCES, JUNE 30	\$ 1,492,682	\$ 439,777	\$ -	\$ 1,932,459

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (7,318)
Amounts reported for governmental activities in the statement of activities are different because:	
The repayment of long-term liabilities for compensated absences is reported as an expenditure when due in governmental funds but as a reduction of liabilities on the statement of net assets	30,242
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(81,755)</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (58,831)</u></u>

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2010

	LIMRiCC	Computer	Reimbursement	Total
CURRENT ASSETS				
Cash and investments	\$ -	\$ 1,289,191	\$ -	\$ 1,289,191
Accounts receivable	-	61,272	-	61,272
Inventory	-	24,582	1,995	26,577
Total current assets	-	1,375,045	1,995	1,377,040
NONCURRENT ASSETS				
Capital assets	-	191,186	-	191,186
Total assets	-	1,566,231	1,995	1,568,226
CURRENT LIABILITIES				
Accounts payable	-	59,987	1,376	61,363
Accrued payroll	-	2,505	-	2,505
Total current liabilities	-	62,492	1,376	63,868
NET ASSETS				
Invested in capital assets	-	191,186	-	191,186
Unrestricted	-	1,312,553	619	1,313,172
TOTAL NET ASSETS	\$ -	\$ 1,503,739	\$ 619	\$ 1,504,358

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	LIMRiCC	Computer	Reimbursement	Total
OPERATING REVENUES				
Intergovernmental				
Fees for services and materials	\$ -	\$ 373,241	\$ 60,331	\$ 433,572
Reimbursements	-	952,178	950,685	1,902,863
Membership dues	239,289	-	-	239,289
Members' insurance premiums	3,010,185	-	-	3,010,185
Miscellaneous	-	588,579	-	588,579
Total operating revenues	3,249,474	1,913,998	1,011,016	6,174,488
OPERATING EXPENSES				
Insurance premiums	2,991,069	-	-	2,991,069
Claims	269,349	-	-	269,349
Administration				
Personnel	-	811,390	-	811,390
Library materials, supplies, and miscellaneous	-	33,887	1,002,741	1,036,628
Building, vehicle, and equipment management	-	262,617	-	262,617
Travel and registration	-	8,659	-	8,659
Professional and contractual services	83,874	398,977	-	482,851
Dividends	95,628	-	-	95,628
Telecommunications	-	6,056	-	6,056
Depreciation	-	85,466	-	85,466
Computers	-	124,693	-	124,693
Miscellaneous	155	9,372	-	9,527
Total operating expenses	3,440,075	1,741,117	1,002,741	6,183,933
OPERATING INCOME (LOSS)	(190,601)	172,881	8,275	(9,445)
NONOPERATING REVENUES (EXPENSES)				
Investment income	17,754	4,200	-	21,954
CHANGE IN NET ASSETS BEFORE TRANSFERS	(172,847)	177,081	8,275	12,509
TRANSFERS (OUT)	(4,412,439)	-	(8,923)	(4,421,362)
CHANGES IN NET ASSETS	(4,585,286)	177,081	(648)	(4,408,853)
NET ASSETS, JULY 1	4,585,286	1,326,658	1,267	5,913,211
NET ASSETS, JUNE 30	\$ -	\$ 1,503,739	\$ 619	\$ 1,504,358

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	LIMRiCC	Computer	Reimbursement	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from members and users	\$ 3,217,160	\$ 1,884,014	\$ 1,011,016	\$ 6,112,190
Payments to suppliers	(3,081,616)	(823,357)	(1,002,093)	(4,907,066)
Payments made to members	(95,628)	-	-	(95,628)
Payments to employees	-	(810,964)	-	(810,964)
Claims paid	(269,349)	-	-	(269,349)
Net cash from operating activities	(229,433)	249,693	8,923	29,183
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(4,412,439)	-	(8,923)	(4,421,362)
Net cash from noncapital financing activities	(4,412,439)	-	(8,923)	(4,421,362)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	(18,003)	-	(18,003)
Net cash flows from capital and related financing activities	-	(18,003)	-	(18,003)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	17,754	4,200	-	21,954
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,624,118)	235,890	-	(4,388,228)
CASH AND CASH EQUIVALENTS, JULY 1	4,624,118	1,053,301	-	5,677,419
CASH AND CASH EQUIVALENTS, JUNE 30	\$ -	\$ 1,289,191	\$ -	\$ 1,289,191
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (190,601)	\$ 172,881	\$ 8,275	\$ (9,445)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	-	85,466	-	85,466
Change in assets and liabilities				
Accounts receivable	47,061	(29,984)	-	17,077
Inventory	-	12,823	3,686	16,509
Accounts payable	(6,518)	8,081	(3,038)	(1,475)
Accrued payroll	-	426	-	426
Unearned revenue	(79,375)	-	-	(79,375)
NET CASH FROM OPERATING ACTIVITIES	\$ (229,433)	\$ 249,693	\$ 8,923	\$ 29,183

See accompanying notes to financial statements.

METROPOLITAN LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Metropolitan Library System (the System) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As of July 1, 2004, the Suburban Library System and the Chicago Library System merged to become the System, organized under the laws of the State of Illinois. The purpose of the System is to promote, encourage, and effectuate the improvement of any library in Cook County, DuPage County, Will County, and neighboring areas that elect to join the System. The System is governed by a Board of Directors (the Board), the rules and regulations for library systems, and the regulations of the State Librarian related to state aid.

The accounting policies of the System conform to GAAP as applicable to governmental units. The following is a summary of the more significant policies.

a. Reporting Entity

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

The accompanying financial statements present the System (the primary government) and its component unit. The financial data of the component unit is included in the System's reporting entity because of the financial relationship with the System.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Blended Component Units

The Library Insurance Management and Risk Control Combination (the Combination or LIMRiCC) is a legally separate entity from the System; however, its board is the same as that of the System, and accordingly, the Combination is blended with the activities of the System. As of March 31, 2010, LIMRiCC is a separate legal entity, as they have established a separately elected board that is not comprised of any MLS board members. The System transferred the LIMRiCC's assets out to the new LIMRiCC board as of March 31, 2010.

The purpose of the Combination is to provide conventional insurance coverage and/or self-insurance for claims against or by its participants. The Combination is reported as an enterprise fund and consists of four programs:

The Systems Libraries Insurance Cooperative (SLIC) provides for the group purchase of property, casualty, and liability insurance;

The Joint Self-Insurance Pool (JSIP) was established to seek the reduction of losses by reason of liability claims and to reduce the cost of insuring against such claims;

The Unemployment Compensation Group Account (UCGA) was established to administer a joint unemployment compensation pool; and

The Purchase of Health Insurance Program (PHIP) was established to provide for the purchase of health insurance coverage for employees, spouses, and dependents of members of PHIP including, but not limited to, the following insurance coverages:

Comprehensive Health Insurance
Life Insurance Benefits
Accidental Death and Dismemberment Benefit
Dental Insurance
Vision Insurance
Prescription Coverage

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the System, but for which the System is financially accountable or whose relationship with the System is such that exclusion would cause the System's statements to be misleading or incomplete. Based on these criteria, the System has no discretely presented component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The System is neither financially accountable for other entities nor is the System a component unit of any other entity.

b. Government-Wide and Fund Financial Statements

The government-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 System. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by grants 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, segment, or program 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The System reports the following major governmental funds:

The General Fund is the System's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Improvements Fund exists to support building improvements and other capital needs.

The System reports the following major proprietary funds:

The Computer Fund operating as an Enterprise Fund exists to support integrated library system operations for the 80 member SWAN consortium in joint ownership with the System.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

The Reimbursement Fund operating as an Enterprise Fund exists to provide group activities for members at prices or terms comparable to or better than those available in the private sector.

LIMRiCC Fund provides conventional insurance coverage and/or self-insurance for claims against or by its participants.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as nonoperating.

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 and earned. 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. The System 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 fund liability is incurred.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the System; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The System reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” or “earned” criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the System before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the System has a legal claim to the resources, the liability for deferred/unearned revenue is removed from the financial statements and revenue is recognized.

d. Grants

The Macy’s Grant had deferred revenue of \$81,357. The grant term for the Macy’s Grant ends fall of 2011.

The ISL/MLS Partnership Grant had deferred revenue of \$4,475. The grant term ends on June 30, 2010.

The LSTA Grant had a deferred revenue of \$7,245. The grant term ends on September 30, 2010.

e. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the System’s proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value.

f. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

METROPOLITAN LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the System as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year.

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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Computers	5
Office furniture and equipment	5-10
Vehicles	8

h. Vacation and Sick Leave

In the event of termination, an employee is reimbursed for accumulated vacation days. No more than five vacation days may be carried over from the prior year without the Executive Director's approval. Employees of the former Suburban Library System who chose not to cash out receive partial reimbursement for accumulated sick leave in the amount of 15% of the accumulated leave after completing the first year of employment and an additional 5% of accumulated leave for each complete year of employment thereafter, but not to exceed 75% for employees covered under the new policy and 85% for employees covered under the old policy of accumulated sick leave. No more than 90 sick leave days may be accumulated for employees covered under the new policy and an additional 180 sick leave days may be utilized for service credit with the Illinois Municipal Retirement Fund (IMRF) upon retirement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Vacation and Sick Leave (Continued)

Vested or accumulated vacation and sick leave that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements, and the remainder is reported in long-term debt. Vested or accumulated vacation and sick leave of proprietary funds at both levels and governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

i. Interfund Transactions

Interfund service transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

j. GASB Pronouncements

The System has elected, under the provisions of GASB Statement No. 20, titled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balances/Net Assets

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. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the restricted net assets resulted from enabling legislation adopted by the System. Invested in capital assets represents the System's investment in the book value of capital assets.

2. DEPOSITS AND INVESTMENTS

The System maintains a cash and investment pool that is available for use by the General Fund, the Reimbursement Fund, and some of the Special Revenue Funds. Each fund's portion of this pool is displayed on the combined financial statements as "cash and investments." In addition, investments are separately held by several of the System's funds.

Permitted Deposits and Investments - Statutes and the System's investment policy authorize the System to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State of Illinois to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold.

a. Deposits

To guard against credit risk for deposits with financial institutions, the System's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount equal to the uninsured deposits with the collateral held by a third-party acting as the agent of the System.

METROPOLITAN LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments

As of June 30, 2010, the System's investments consisted entirely of \$1,471,300 in Illinois Funds, which have an underlying maturity of 90 days.

In accordance with its investment policy, the System limits its exposure to interest rate risk to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The portfolio that is invested with Illinois Funds, which is completely liquid, is not subject to interest rate risk.

The System limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing only in Illinois Funds.

Illinois Funds is "AAA" rated.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balances July 1	Increases	Decreases	Balances June 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Total capital assets not being depreciated	92,000	-	-	92,000
Capital assets being depreciated				
Building and improvements	1,274,025	-	-	1,274,025
Office furniture and equipment	794,893	-	-	794,893
Computers	111,879	-	-	111,879
Vehicles	175,110	-	-	175,110
Total capital assets being depreciated	2,355,907	-	-	2,355,907
Less accumulated depreciation for				
Building improvements	608,258	34,336	-	642,594
Office furniture and improvements	719,310	18,504	-	737,814
Computers	98,972	7,026	-	105,998
Vehicles	52,777	21,889	-	74,666
Total accumulated depreciation	1,479,317	81,755	-	1,561,072
Total capital assets being depreciated, net	876,590	(81,755)	-	794,835
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 968,590	\$ (81,755)	\$ -	\$ 886,835

METROPOLITAN LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Culture and recreation	\$ 81,755
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 81,755

	Balances July 1	Increases	Decreases	Balances June 30
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Computers	\$ 1,585,247	\$ 18,004	\$ -	\$ 1,603,251
Less accumulated depreciation for				
Computers	1,326,598	85,466	-	1,412,064
Total capital assets being depreciated, net	258,649	(67,462)	-	191,187
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 258,649	\$ (67,462)	\$ -	\$ 191,187

4. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010 (in thousands of dollars):

	Balance July 1	Additions	Reductions	Balance June 30	Current Portion
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 102,906	\$ -	\$ 30,242	\$ 72,664	\$ -
TOTAL GOVERNMENTAL ACTIVITIES	\$ 102,906	\$ -	\$ 30,242	\$ 72,664	\$ -

Compensated absences are liquidated by the General Fund.

METROPOLITAN LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. INTERFUND ACTIVITY

Receivables/Payables

Receivable Fund	Payable Fund	Total
Governmental		
Macy's Grant	General	\$ 81,357
MLS/ISL Grant	General	<u>169</u>
TOTAL		<u><u>\$ 81,526</u></u>

The purposes of the due to/due from other funds are as follows:

- The General Fund owes Macy's Grant for grant funds not yet expended. Expenses associated with the museum pass program will be through the next 12 months.

Interfund transfers during the year ended June 30, 2010 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Reimbursement Fund	\$ 8,923
TOTAL		<u><u>\$ 8,923</u></u>

- The System transferred all of LIMRiCC's asset in the amount of \$4,412,439 to the new LIMRiCC board as of March 31, 2010 resulting in a nonreciprocal transaction.

6. CLAIMS PAYABLE - JOINT SELF-INSURANCE POOL

The liability for all self-insured general liability claims, including all known claims plus claims incurred but not reported, has been estimated to be zero at both June 30, 2010 and 2009. There have been no changes in the coverages on payments in excess of coverages for the last three years.

	2010	2009
CLAIMS PAYABLE - BEGINNING OF YEAR	\$ -	\$ -
Current year provisions for insured events	30,350	-
Payment of claims		
Events of the current year	(30,350)	-
Events of the prior year	-	-
CLAIMS PAYABLE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

7. EMPLOYEE RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund

The System's defined pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois.

The Illinois Pension Code establishes the benefit provisions of IMRF that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the IMRF as a whole but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

System employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The System is required to contribute at an actuarially determined rate. The employer rate for calendar year 2009 was 0.92% of payroll. The System contribution requirements are established and may be amended by the IMRF Board of Trustees.

For December 31, 2009, the System's annual pension cost of \$22,289 was equal to the System's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year, and (d) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.0%. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The 2009 actuarial valuation information shown in the trend information below and the required supplementary information is based on the assumptions based used in the 2002-2004 experience study. IMRF's unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 6 years.

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2009	\$ 22,289	100%	\$ -
December 31, 2008	24,242	100%	-
December 31, 2007	24,329	100%	-

METROPOLITAN LIBRARY SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Illinois Municipal Retirement Fund (Continued)

The funded status and funding progress of the plan as of December 31, 2009 were as follows:

	Illinois Municipal Retirement
	<hr/>
Actuarial accrued liability (AAL)	\$ 6,098,997
Actuarial value of plan assets	6,024,127
Unfunded (overfunded) actuarial accrued liability (AAL) (OAAL)	74,870
Funded ratio (actuarial value of plan assets/AAL)	98.77%
Covered payroll (active plan members)	\$ 2,422,696
UAAL (OAAL) as a percentage of covered payroll	3.09%

8. OTHER POSTEMPLOYMENT BENEFITS

The System allows employees, who retire through the System's pension plan disclosed in Note 7, the option to continue in the System's health insurance plan as required by Illinois Compiled Statutes (ILCS), but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as the System's health insurance plan is considered a community rated plan. In addition, the System has no explicit subsidy as defined in GASB S-45.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
State grants	\$ 3,217,450	\$ 2,686,571	\$ 2,686,571
Other grants	3,750	3,750	5,905
Fees for services and materials	43,900	43,900	80,651
Investment income	20,000	12,000	5,649
Miscellaneous	1,000	10,090	10,606
	<hr/>		
Total revenues	3,286,100	2,756,311	2,789,382
EXPENDITURES			
Culture and recreation			
Personnel	2,422,224	2,105,869	2,226,808
Library materials, supplies, and miscellaneous	115,620	113,175	53,023
Building, vehicle, and equipment management	395,350	390,250	304,247
Travel and registration	58,500	40,835	17,724
Professional and contractual services	174,345	166,233	157,537
Telecommunications	57,799	55,999	46,284
Capital outlay	30,000	30,000	-
	<hr/>		
Total expenditures	3,253,838	2,902,361	2,805,623
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	32,262	(146,050)	(16,241)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	8,923
	<hr/>		
Total other financing sources (uses)	-	-	8,923
NET CHANGE IN FUND BALANCE			
	<u>\$ 32,262</u>	<u>\$ (146,050)</u>	(7,318)
FUND BALANCE, JULY 1			
			<u>1,500,000</u>
FUND BALANCE, JUNE 30			
			<u><u>\$ 1,492,682</u></u>

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

June 30, 2010

Actuarial Valuation Date January 1,	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (OAAL) (2) - (1)	(5) Covered Payroll	UAAL (OAAL) As a Percentage of Covered Payroll (4) / (5)
2004	\$ 6,616,300	\$ 6,759,687	97.88%	\$ 143,387	\$ 2,040,385	7.03%
2005	6,962,579	5,217,296	133.45%	(1,745,283)	2,126,679	(82.07%)
2006	6,944,229	5,001,977	138.83%	(1,942,252)	2,078,312	(93.45%)
2007	7,520,601	5,362,742	140.24%	(2,157,859)	2,191,852	(98.45%)
2008	6,137,881	5,880,864	104.37%	(257,017)	2,379,161	(10.80%)
2009	6,024,127	6,098,997	98.77%	74,870	2,422,696	3.09%

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

June 30, 2010

<u>Year Ended June 30,</u>	<u>Employer Contribution</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 10,058	\$ 10,058	100%
2006	20,629	20,629	100%
2007	20,160	20,160	100%
2008	24,329	24,329	100%
2009	24,242	24,242	100%
2010	22,289	22,289	100%

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
 CLAIMS DEVELOPMENT INFORMATION
 JOINT SELF-INSURANCE POOL

Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues	\$ 157,500	\$ 160,333	\$ 159,125	\$ 160,000	\$ 155,083	\$ 172,500	\$ (25,000)	\$ 204,601	\$ 230,717	\$ 295,637
Unallocated expenses	113,229	71,017	300,654	104,379	36,346	118,770	45,940	32,047	29,081	37,981
Net incurred expenses	30,350	-	-	-	-	46,500	-	-	-	446
Paid claims										
End of policy year	30,350	-	-	-	-	46,500	-	-	-	-
One year later	-	-	-	-	-	-	-	-	-	446
Two years later	-	-	-	-	-	-	-	-	-	-
Three years later	-	-	-	-	-	-	-	-	-	-
Four years later	-	-	-	-	-	-	-	-	-	-
Five years later	-	-	-	-	-	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
Reestimated incurred claims and expense										
End of policy year	30,350	-	-	-	-	46,500	-	-	-	-
One year later	-	-	-	-	-	-	-	-	446	446
Two years later	-	-	-	-	-	-	-	-	-	-
Three years later	-	-	-	-	-	-	-	-	-	-
Four years later	-	-	-	-	-	-	-	-	-	-
Five years later	-	-	-	-	-	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted (at the fund level) for the general and enterprise funds. The Building Improvement Fund is not budgeted. All annual appropriations lapse at fiscal year end. A budget amendment was made.

The System follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Director of Finance prepares and submits to the Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures/expenses and the means of financing them. Annual budgets are adopted for the governmental (general and building improvements funds) and proprietary funds on a basis consistent with GAAP. The legal level of budgetary control is at the fund level.
2. The proposed operating budget is adopted by the Board at a public meeting.
3. Any amendments to the budget must be adopted by the Board at a public meeting.
4. Budgeted amounts presented in the financial statements are those as originally adopted by the Board.

MAJOR GOVERNMENTAL FUNDS

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual
CULTURE AND RECREATION			
Personnel			
Salaries and wages			
Library professionals	\$ 593,990	\$ 519,224	\$ 517,991
Other professionals	542,097	513,380	514,261
Support services	752,335	630,128	690,362
Payroll taxes and benefits			
Social security	136,202	120,391	123,930
Unemployment compensation	2,154	2,197	56,717
Workmen's compensation	40,594	39,995	38,516
Retirement fund	87,327	69,547	70,984
Health, dental, and life insurance	259,165	198,647	200,632
Other benefits	1,360	1,360	1,809
Temporary help	5,000	9,000	8,935
Recruiting	2,000	2,000	2,671
Total personnel	2,422,224	2,105,869	2,226,808
Library materials, supplies, and miscellaneous			
Library materials			
Printed materials	4,300	4,300	2,135
Supplies, postage, and printing			
Computer supplies	20,300	20,300	1,017
Office supplies	30,000	30,000	13,644
Postage	28,500	28,500	13,317
Delivery supplies	13,250	13,250	9,322
Membership dues	13,720	12,275	12,332
Miscellaneous	5,550	4,550	1,256
Total library materials, supplies, and miscellaneous	115,620	113,175	53,023
Building, vehicle, and equipment management			
Building and grounds			
Utilities	155,565	155,565	113,120
Property insurance	12,360	12,360	12,704
Custodial service and supplies	26,000	26,000	23,681
Repairs and maintenance	65,000	63,300	53,706
Other	13,000	13,000	9,775
Liability insurance	15,500	12,100	12,058
Vehicle expense			
Gas and oil	38,000	38,000	30,857
Repairs and maintenance	13,000	13,000	13,696
Vehicle insurance	10,000	10,000	8,748
Other	1,500	1,500	228

(This schedule is continued on the following page.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual
CULTURE AND RECREATION (Continued)			
Building, vehicle, and equipment management (Continued)			
Equipment rental, repair, and maintenance			
Equipment rental	\$ 18,125	\$ 18,125	\$ 18,759
Equipment repair and maintenance	24,700	24,700	4,395
Maintenance agreements	2,600	2,600	2,520
Total building, vehicle, and equipment management	395,350	390,250	304,247
Travel and registration			
Travel			
In-state travel	21,160	19,285	7,054
Out-of-state travel	10,300	6,000	2,592
Registration fees	14,740	6,250	4,413
Public relations	12,300	9,300	3,665
Total travel and registration	58,500	40,835	17,724
Professional and contractual services			
Professional services			
Audit	6,633	6,633	6,642
Legal	8,500	8,500	3,693
Consulting	10,500	2,388	15,880
Contractual services			
Rent	112,212	112,212	105,626
Outside printing	27,250	27,250	14,429
Other	9,250	9,250	11,267
Total professional and contractual services	174,345	166,233	157,537
Telecommunications			
Telephone	29,630	27,830	25,135
Telecommunications	28,169	28,169	21,149
Total telecommunications	57,799	55,999	46,284
Capital outlay			
Computer equipment	-	-	-
Autos and trucks	30,000	30,000	-
Total capital outlay	30,000	30,000	-
TOTAL EXPENDITURES	\$ 3,253,838	\$ 2,902,361	\$ 2,805,623

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

METROPOLITAN LIBRARY SYSTEM

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	Special Revenue						Totals
	MARC of Quality Automation Grant	LSTA Illinois Grant	Macy's Grant	Bobby Rush IMLS Expansion Library Services FY 2009-FY2011	Bobby Rush IMLS Expansion Library Services FY 2010-FY2012	Educate and Automate Grant	
ASSETS							
Cash and investments	\$ -	\$ 7,245	\$ -	\$ -	\$ -	\$ 4,475	\$ 11,720
Due from other funds	-	-	81,357	-	-	169	81,526
TOTAL ASSETS	\$ -	\$ 7,245	\$ 81,357	\$ -	\$ -	\$ 4,644	\$ 93,246
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169	\$ 169
Deferred revenue	-	7,245	81,357	-	-	4,475	93,077
Total liabilities	-	7,245	81,357	-	-	4,644	93,246
FUND BALANCES	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 7,245	\$ 81,357	\$ -	\$ -	\$ 4,644	\$ 93,246

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	Special Revenues						Totals
	MARC of Quality	LSTA	Macy's	Bobby Rush	Bobby Rush	Educate and	
	Automation	Illinois		Library Services	Library Services		
Grant	Grant	Grant	FY 2009-FY2011	FY 2010-FY2012	Grant		
REVENUES							
Automation grant	\$ 8,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,200
DS3 Grant	-	-	-	-	-	5,657	5,657
LSTA Grant	-	28,755	72,589	-	-	-	101,344
Construction Grant	-	-	-	72,362	90,471	-	162,833
Total revenues	8,200	28,755	72,589	72,362	90,471	5,657	278,034
EXPENDITURES							
Culture and recreation							
Salaries	-	23,925	-	6,194	22,040	-	52,159
Library materials, supplies, and miscellaneous	-	154	531	40,081	63,071	304	104,141
Publicity and public relations	-	-	1,515	-	-	-	1,515
Travel and registration	-	1,676	-	1,484	-	-	3,160
Administration	-	-	-	3,745	2,160	-	5,905
Professional and contractual services	8,200	3,000	36,993	2,735	3,200	1,870	55,998
Telecommunications	-	-	-	-	-	3,483	3,483
Outside printing services	-	-	33,550	18,064	-	-	51,614
Miscellaneous	-	-	-	59	-	-	59
Total expenditures	8,200	28,755	72,589	72,362	90,471	5,657	278,034
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-
FUND BALANCES, JULY 1	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(See independent auditor's report.)

MAJOR ENTERPRISE FUNDS

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
LIMRiCC FUND

For the Nine Months Ended March 31, 2010

OPERATING REVENUES	
Intergovernmental	
Membership dues	\$ 239,289
Members' insurance premiums	<u>3,010,185</u>
Total operating revenues	<u>3,249,474</u>
OPERATING EXPENSES	
Insurance premiums	2,991,069
Claims	269,349
Administration	
Professional and contractual services	83,874
Dividends	95,628
Miscellaneous	<u>155</u>
Total operating expenses	<u>3,440,075</u>
OPERATING INCOME (LOSS)	(190,601)
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>17,754</u>
INCOME (LOSS) BEFORE TRANSFERS	(172,847)
TRANSFERS (OUT)	<u>(4,412,439)</u>
CHANGES IN NET ASSETS	(4,585,286)
NET ASSETS, JULY 1	<u>4,585,286</u>
NET ASSETS, JUNE 30	<u>\$ -</u>

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
COMPUTER FUND

For the Year Ended June 30, 2010

	Original and Final Budget	Actual
OPERATING REVENUES		
Intergovernmental		
Fees for services and materials	\$ 373,241	\$ 373,241
Reimbursements	1,015,932	952,178
Miscellaneous	565,950	588,579
	<u>1,955,123</u>	<u>1,913,998</u>
OPERATING EXPENSES		
Administration		
Personnel	833,555	811,390
Library materials, supplies, and miscellaneous	76,690	33,887
Building, vehicle, and equipment management	275,000	262,617
Travel and registration	10,331	8,659
Professional and contractual services	392,754	398,977
Telecommunications	12,301	6,056
Depreciation	148,675	85,466
Computers	160,192	124,693
Miscellaneous	4,200	9,372
	<u>1,913,698</u>	<u>1,741,117</u>
OPERATING INCOME	41,425	172,881
NONOPERATING REVENUES (EXPENSES)		
Investment income	12,500	4,200
	<u>12,500</u>	<u>4,200</u>
CHANGES IN NET ASSETS	<u>\$ 53,925</u>	177,081
NET ASSETS, JULY 1		<u>1,326,658</u>
NET ASSETS, JUNE 30		<u>\$ 1,503,739</u>

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
COMPUTER FUND

For the Year Ended June 30, 2010

	Original and Final	
	Budget	Actual
PERSONNEL		
Salaries and wages		
Library professionals	\$ 140,107	\$ 140,108
Other professionals	123,225	123,224
Support services	411,101	394,360
Payroll taxes and benefits		
Social security expense	47,910	47,033
Unemployment compensation	1,033	1,058
Workmen's compensation	2,698	2,698
Retirement fund	26,807	25,836
Health, dental, and life insurance	80,674	77,073
	<u>833,555</u>	<u>811,390</u>
LIBRARY MATERIALS, SUPPLIES, AND MISCELLANEOUS		
Printed materials	500	395
Computer supplies	7,750	565
Office supplies	27,500	-
Postage	40,740	32,927
Shipping	200	-
	<u>76,690</u>	<u>33,887</u>
BUILDING, VEHICLE, AND EQUIPMENT MANAGEMENT		
Equipment repair and maintenance	<u>275,000</u>	<u>262,617</u>
TRAVEL AND REGISTRATION		
Travel		
In-state travel	3,805	5,300
Out-of-state travel	3,891	-
Registration fees	<u>2,635</u>	<u>3,359</u>
	<u>10,331</u>	<u>8,659</u>

(This schedule is continued on the following page.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (Continued)
COMPUTER FUND

For the Year Ended June 30, 2010

	Original and Final	
	Budget	Actual
PROFESSIONAL AND CONTRACTUAL SERVICES		
Audit	\$ 2,839	\$ 2,842
Legal	1,000	7,060
Consulting	227,006	227,973
Centralized data processing	159,559	159,689
Outside printing	200	-
Membership dues	150	40
Other contractual	2,000	1,373
	<u>392,754</u>	<u>398,977</u>
Total professional and contractual services	<u>392,754</u>	<u>398,977</u>
TELEPHONE AND TELECOMMUNICATIONS	<u>12,301</u>	<u>6,056</u>
DEPRECIATION	<u>148,675</u>	<u>85,466</u>
CAPITAL OUTLAY		
Computers	<u>160,192</u>	<u>124,693</u>
MISCELLANEOUS	<u>4,200</u>	<u>9,372</u>
TOTAL EXPENSES	<u>\$ 1,913,698</u>	<u>\$ 1,741,117</u>

(See independent auditor's report.)

METROPOLITAN LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
REIMBURSEMENT FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Intergovernmental			
Fees for services and materials	\$ 68,000	\$ 68,000	\$ 60,331
Reimbursements	346,300	1,171,300	950,685
Total operating revenues	<u>414,300</u>	<u>1,239,300</u>	<u>1,011,016</u>
OPERATING EXPENSES			
Administration			
Library materials, supplies, and miscellaneous	414,300	1,254,300	1,002,741
Total operating expenses	<u>414,300</u>	<u>1,254,300</u>	<u>1,002,741</u>
CHANGE IN NET INCOME BEFORE TRANSFERS	-	(15,000)	8,275
TRANSFERS (OUT)	-	-	(8,923)
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ (15,000)</u>	(648)
NET ASSETS, JULY 1			<u>1,267</u>
NET ASSETS, JUNE 30			<u><u>\$ 619</u></u>

(See independent auditor's report.)