



C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

LEWIS & CLARK LIBRARY SYSTEM

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2009

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LEWIS & CLARK LIBRARY SYSTEM

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lewis & Clark Library System
Edwardsville, Illinois:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lewis & Clark Library System (Library System) as of and for the year ended June 30, 2009, which collectively comprise the Library System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Library System 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 August 10, 2009 on our consideration of the Library System's internal control over financial reporting and on 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 important for assessing the results of our audit.

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The management's discussion and analysis (pages 5 through 12), pension funding progress information (page 30), and budgetary comparison information (pages 31 through 34) 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 the administration regarding the 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 Library System's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

C. J. Schlosser & Co., L.L.C.
Certified Public Accountants

August 10, 2009



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Lewis & Clark Library System
Edwardsville, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lewis & Clark Library System (Library System) as of and for the year ended June 30, 2009, which collectively comprise the Library System's basic financial statements and have issued our report thereon dated August 10, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library System's financial statements that is more than inconsequential will not be prevented or detected by the Library System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors and the management of the Lewis & Clark Library System and is not intended to be and should not be used by anyone other than these specified parties.

C. J. Schlosser & Company, LLC.
Certified Public Accountants

August 10, 2009

LEWIS & CLARK LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

Lewis & Clark Library System's Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Lewis & Clark Library System (Library System) for the fiscal year which ended June 30, 2009. The MD&A is designed to:

- Assist in focusing on significant financial issues;
- Provide an overview of the Library System's financial activities;
- Identify changes in the Library System's financial position;
- Identify any material deviations from the financial plan (approved budget); and
- Identify issues and/or concerns for each individual Library System fund.

Information presented in the audit must be considered in conjunction with additional information furnished in the Library System's financial statements and other supplementary information.

Background

The Library System was created by the Illinois State Legislature in 1965 as one of 18 Illinois library systems. Today there are nine multi-type regional library systems serving academic, public, school, and special libraries in Illinois. Library Systems are under the Secretary of State of Illinois, who is also the State Librarian. He oversees the Illinois State Library, which administers the annual Area & Per Capita Grants allocated to the Illinois Library Systems. The allotment for the Library System is based on 47.4326/4,915 per square mile and \$1.2682/670,077 per person. The demographic information from the 2000 Census was used to calculate the FY 2008-2009 funding level. Funds received for the Area & Per Capita Grant are used by the Library System to provide prescribed general operation and administration of the Library System and to provide services to approximately 132 member libraries located in 11 counties in southwestern Illinois. Core services provided to member library staff, administration, and boards include: consulting, professional development (through workshops and seminars), communication, courier services (delivery), interlibrary loan, reciprocal access, automation, and bibliographic access.

A legally established Board of Directors governs the operation of the Library System. The Board (consisting of nine Board members) is elected from the member libraries. Five members must be members of the governing board of public libraries. Additionally four Board members must represent each type of member library, one per type (academic, public, school and special).

The mission statement of Library System states:

We advance libraries in successfully serving the evolving needs of their communities.

The Library System's basic financial statements contained in this report are comprised of three components:

- **Government-wide Financial Statements,**
- **Fund Financial Statements, and**
- **Notes to the Financial Statements.**

Government-wide Financial Statements

The Government-wide financial statements distinguish functions of the Library System that are principally supported by grants and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The only core service provided with costs recovered through fees is the Gateway Automated Information Network (also known as GateNet, the Local Library System Automation Project, or LLSAP). Information regarding GateNet is found under the Proprietary Fund sections of the Audit Report.

The first two documents in the audit section titled, *Basic Financial Statements*, contain information that summarizes financial activity for all funds used to support Library System's programs and projects. Page 13 contains the *Statement of Net Assets* which presents information on all of the Library System's assets and liabilities as of June 30, 2009. The *Statement of Activities* reflects the change in Net Assets for all LCLS programs and activities.

A 3% change in net assets from the previous fiscal year is reflected in the *Summary of Changes in Net Assets* found on page 8. The reduction of net assets is a trend that has been continuing for several years. 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, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. grant receivables and accounts payable).

Fund Financial Statements

Financial information for the Library System is reported by fund. Each fund is a separate accounting entity created to segregate specific activities and to ensure and demonstrate compliance with finance-related legal requirements. The Library System has two types of funds – governmental funds and a proprietary fund.

Governmental Funds

There were several governmental funds represented in the FY 2008-2009 Library System financial reports and audit. The *General Fund* contains the financial information for the general administration and operation of the Library System, and the provision of core services (with the exception of automation and bibliographic access). Two *LSTA* grants were multi-year projects which enhanced the use of technology for libraries and Library Systems throughout the State of Illinois. These included WebJunction Illinois and Putting Illinois on the Map.

The detail of Other Governmental Funds can be found in the Other Supplementary Information Section of the report (pages 35-36). Each of these funds was for a specific project undertaken by the Library System. Some of the more significant grants (and funds) include:

WebJunction Illinois grant supported a website that focuses on supporting library staff through online resources, community and continuing education. It is sponsored by the Illinois State Library, the Illinois Regional Library Systems and Illinois library staff and organizations. The Library System serves as the fiscal agent for this project.

Putting Illinois on the Map is a continuing project that utilizes a multi data layer, interactive database combining demographic and political boundaries in a usable Internet accessible format.

The *Statewide Cataloging Maintenance Center (CMC)* Grant provided funding for the Library System to provide original cataloging to Illinois libraries at a reduced cost. The Library System is one of three multitype Illinois Library Systems that provide this service. The fees received for this service go to a third party who collects the fees from all CMCs. The fees are disbursed annually to each Cataloging Maintenance Center (CMC) based on a formula agreed upon by all three CMCs. The LCLS CMC uses the additional monies to support continuing education opportunities for CMC staff.

Researching Communities to Prepare for the Future is a project developed to learn what patrons and residents desire from their public libraries. During individual interviews, residents of 15 participating Illinois libraries considered 25 different competencies, ranking the competencies in personal order of want/need for their library. The Lewis & Clark Library System used an independent contractor to perform the study. Results of the research will be shared via WebJunction Illinois (a web-based social network for librarians)

Proprietary Funds

The Library System maintains one proprietary fund. Financial information presented in this fund is for the Gateway Automated Information Network (GateNet). GateNet is a consortium of 60 agencies utilizing about 90 library buildings. Each library receives integrated library services and support. The basic proprietary fund financial statements can be found on pages 19-21 of this report. While it was assumed that this service was completely self-sufficient, the fees only supported out-of-pocket expenditures. The Library System provided over \$200,000 in administrative support. Additional support is expected to continue throughout FY 2009-2010.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided. The Notes to the Financial Statements can be found on pages 22-29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Library System's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for the pension obligation can be found on page 30. Budgetary comparison schedules for each Library System major fund can be found on pages 31-34. Combined financial statements for non-major governmental funds are on pages 35-36.

Summary of Changes in Net Assets

Comparative data is accumulated and presented to assist analysis. The following table provides a condensed summary of the Library System's changes in net assets as of the end of fiscal years 2007-2008 and 2008-2009.

	Governmental Activities		Business-Type Activities		Totals		Amount Change	%
	2009	2008	2009	2008	2009	2008		
Revenues:								
Program Revenues:								
Operating Grants & Contributions	\$ 1,696,216	\$ 1,639,479	\$ -	\$ -	\$ 1,696,216	\$ 1,639,479	\$ 56,737	3.5
Charges for Services	14,397	3,017	674,177	636,195	688,574	639,212	\$ 49,362	7.7
General Revenues:								
Reimbursements & Miscellaneous	123,098	132,770	-	-	123,098	132,770	\$ (9,672)	(7.3)
Unrestricted Investment Earnings	9,145	25,422	1,409	4,011	10,554	29,433	\$ (18,879)	(64.1)
Total Revenues	<u>1,842,856</u>	<u>1,800,688</u>	<u>675,586</u>	<u>640,206</u>	<u>2,518,442</u>	<u>2,440,894</u>	<u>77,548</u>	<u>3.2</u>
Expenses:								
General Control & Administration	1,911,842	1,924,288	-	-	1,911,842	1,924,288	(12,446)	(0.6)
Gateway Automated Information Network	-	-	674,773	650,634	674,773	650,634	24,139	3.7
Total Expenses	<u>1,911,842</u>	<u>1,924,288</u>	<u>674,773</u>	<u>650,634</u>	<u>2,586,615</u>	<u>2,574,922</u>	<u>11,693</u>	<u>0.5</u>
Increase (Decrease) in Net Assets	(68,986)	(123,600)	813	(10,428)	(68,173)	(134,028)	65,855	(49.1)
Beginning Net Assets	<u>2,072,690</u>	<u>2,196,290</u>	<u>439,480</u>	<u>449,908</u>	<u>2,512,170</u>	<u>2,646,198</u>	<u>(134,028)</u>	<u>(5.1)</u>
Ending Net Assets	<u>2,003,704</u>	<u>2,072,690</u>	<u>440,293</u>	<u>439,480</u>	<u>2,443,997</u>	<u>2,512,170</u>	<u>(68,173)</u>	<u>(2.7)</u>

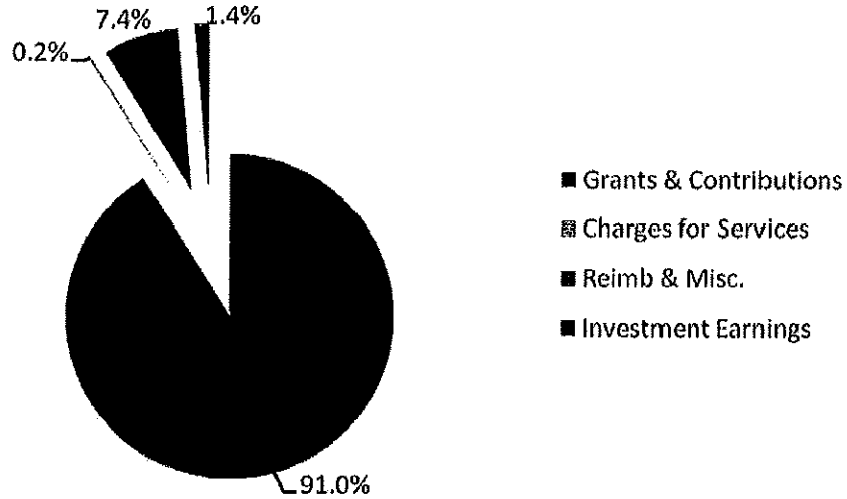
The decline in Ending Net Assets from FY 2006-2007 to FY 2007-2008 was \$134,028 (or 5.0%). Because of the initiatives undertaken by management during FY 2008-2009, the Library System's Ending Net Assets only decreased by \$68,173 (or 2.7%) from FY 2007-2008 to FY 2008-2009. This is a 49% improvement.

Revenues by Source

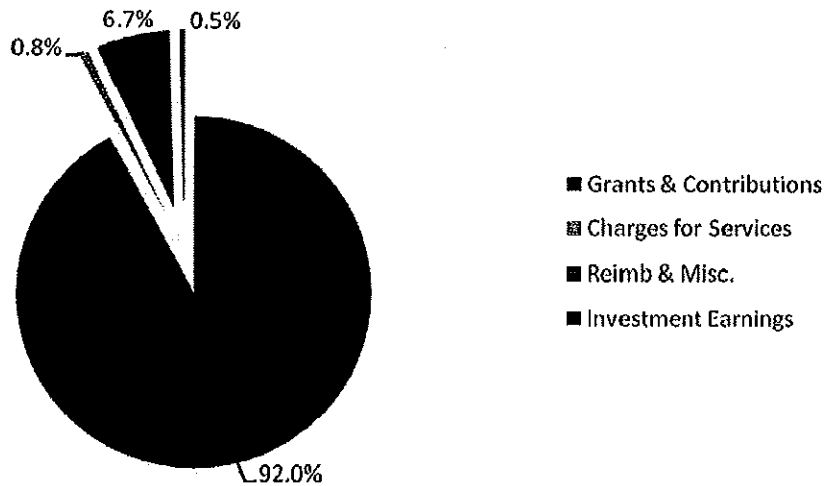
Governmental Activities

The following pie charts depict total revenue by percentage. As is indicated, there was no substantial change in the sources of revenue for the Library System's governmental activities between FY 2007-2008 and FY 2008-2009.

June 30, 2008



June 30, 2009



Business-Type Activities

The Library System's business-type activity is the LLSAP (GateNet). As reported on the Summary of Changes in Net Assets (page 8), fees for services continue to represent almost 100% of all revenues. Total revenue modestly increased 5.5% when comparing FY 2008-2009 to FY 2007-2008.

Financial Analysis of the Government's Funds

As noted earlier, the Library System uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. As of June 30, 2009, the Library System's governmental funds reported a combined ending fund balance of \$675,323.

The following table compares the budget to actual expenditures for the General Fund. The Library System used its originally approved budget. (No amendments were made.)

General Fund

	Fiscal Year Ended June 30, 2009	
	Original Budget	Actual
Revenues:		
Area and Per Capita Grant	\$ 1,082,923	1,082,923
Investment Income	20,400	9,145
Miscellaneous	113,416	138,695
Total Revenues	<u>1,216,739</u>	<u>1,230,763</u>
Expenditures:		
Personnel	1,010,962	938,742
Other Operating Expenditures	323,105	295,449
Capital Outlays	22,000	22,790
Total Expenditures	<u>1,356,067</u>	<u>1,256,981</u>
Net Change in Fund Balance	<u>(139,328)</u>	<u>(26,218)</u>

The Library System budgeted the use of almost \$140,000 of the funds set aside as reserves. Through prudent management, the use of these funds was significantly reduced to only \$26,218. With recent activities at the State level regarding the reduction in funding, the need to use reserve funds will continue at least through FY 2009-2010.

Capital Assets

	Governmental Activities	Business-Type Activities	June 30, 2009 Total
Land	\$ 554,481	\$ -	\$ 554,481
Building & Improvements	734,062	-	734,062
Equip, Furniture, Fixtures, and Computer Hardware and Software	51,567	104,980	156,547
Vehicles	27,107	-	27,107
Total Capital Assets	<u>\$ 1,367,217</u>	<u>\$ 104,980</u>	<u>\$ 1,472,197</u>

Capital Assets for the Library System include purchases of items costing more than \$5,000 per unit. During FY 2008-2009, capital purchases included a digital copier/printer and a burglary and fire alarm system.

Discussions of Economic Factors and Next Year's Budget

The development of the FY 2008-2009 budget used a modified zero-based budget process. All Library System staff with budget responsibilities were involved in developing the budget. The budget was closely linked to the mission, goals and objectives and the annual plan of service. By being extremely diligent in reviewing and rebidding or renegotiating contracts as well as prioritizing and monitoring expenditures, the Library System still had to use a portion of the reserves (which was planned), but the amount needed was 80% less than budgeted.

The primary source of funding for the Governmental activities is an annual Area & Per Capita Grant from the Illinois State Library. The Area and Per Capita Grant is funded by the State of Illinois General Revenue Fund and the Live and Learn Fund. Other revenue sources used for Governmental activities include the fees collected to support the operation of the LLSAP, which provides services to a consortium of 60 libraries. Additionally, the Library System continues to collect fees from organizations that rent the Library System's training/meeting labs/rooms on the second floor.

FY 2009-2010 will have major financial challenges. On August 12, 2009, the Illinois State Library notified the Library System that the Area and Per Capita funding from the Office of the Illinois Secretary of State decreased 16.5% as of July 1, 2009, resulting in a funding net loss of \$178,682.27. Discussion on the possibility of a funding reduction had already taken place at the July 2009 Board of Directors meeting and it was agreed that time would be needed to involve member libraries in determining future direction. The Library System will need to spend more of its reserves in order to have the necessary time and resources to effectively and proactively plan for the future. Member input will be actively pursued to help determine service priorities and the future direction of the Library System.

In order to diligently report what the Area and Per Capita (A&PC) grant funds cover, beginning with FY 2009-2010, the General Fund account will be sub-divided into an Area & Per Capita (A&P) Fund and a Sustainability Fund. The Sustainability Fund will be used to track the non A&PC grant revenue received by the Library System as well as the accompanying expenditures.

The delivery of books and other library materials continues to be a highly valued service; however, the extreme volatility in vehicle fuel costs causes the cost of providing this service to be unpredictable. The Library System will continue its ongoing evaluation of the delivery volume needs of each member library. As library volumes change, the Library system will remain flexible in making any needed adjustments in the number of delivery stops and using US postal delivery for those libraries with infrequent delivery needs (based on volume) while maintaining the FY 2008-2009 volume frequency levels as directed by the Illinois State Library.

The System will continue to evaluate staffing to determine optimal roles, functions, and an organizational structure to best provide quality customer-centered services to member libraries. Shifts in job responsibilities occur as changing needs are identified. The System strives to capitalize on its internal strengths in delivering services. Additionally, the Library System expects to aggressively pursue various cost recovery options and at least minimal charges for

professional development offerings. The Library System will continue to publicize the availability of videoconferencing capabilities as well as the availability of other meeting rooms.

The clear focus for FY 2009-2010 will be continued cost containment and the development of other financial alternatives to supplement governmental funding. Equally important is the provision of quality services to our member libraries which will be continually monitored via surveys and ongoing dialogue.

Requests for Information

This financial report is designed to provide a general review of the Lewis & Clark Library System for all those with an interest in the Library System's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Lewis & Clark Library System's office, 6725 Goshen Road, Edwardsville, IL 62025.

LEWIS & CLARK LIBRARY SYSTEM

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 666,261	\$ 263,094	\$ 929,355
Grant/Accounts Receivable	99,544	38,056	137,600
Prepaid Expenses	28,363	60,000	88,363
Capital Assets:			
Land	554,481	-	554,481
Buildings and Improvements	1,690,529	-	1,690,529
Furniture and Equipment	435,482	520,350	955,832
Vehicles	226,810	-	226,810
Accumulated Depreciation	(1,540,085)	(415,370)	(1,955,455)
Net Capital Assets	<u>1,367,217</u>	<u>104,980</u>	<u>1,472,197</u>
Total Assets	<u>2,161,385</u>	<u>466,130</u>	<u>2,627,515</u>
<u>Liabilities</u>			
Accounts Payable	22,829	4,260	27,089
Deferred Revenue	96,016	10,155	106,171
Accrued Compensated Absences	38,836	11,422	50,258
Total Liabilities	<u>157,681</u>	<u>25,837</u>	<u>183,518</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	1,367,217	104,980	1,472,197
Unrestricted	636,487	335,313	971,800
Total Net Assets	<u>\$ 2,003,704</u>	<u>\$ 440,293</u>	<u>\$ 2,443,997</u>

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

LEWIS & CLARK LIBRARY SYSTEM

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental Activities:						
General Library Services	\$ 1,911,842	\$ 1,696,216	\$ -	\$ (101,690)		\$ (101,690)
Total Governmental Activities	<u>1,911,842</u>	<u>1,696,216</u>	<u>-</u>	<u>(101,690)</u>		<u>(101,690)</u>
Business-type Activities:						
Gateway Automated Information Network	674,773	-	-		\$ (596)	(596)
Total Business-type Activities	<u>674,773</u>	<u>-</u>	<u>-</u>		<u>(596)</u>	<u>(596)</u>
Total Government	<u>\$ 2,586,615</u>	<u>\$ 1,696,216</u>	<u>\$ -</u>	<u>(101,690)</u>	<u>(596)</u>	<u>(102,286)</u>
General Revenues:						
Investment Earnings				9,145	1,409	10,554
Miscellaneous				23,559	-	23,559
Total General Revenues				<u>32,704</u>	<u>1,409</u>	<u>34,113</u>
Change in Net Assets				<u>(68,986)</u>	<u>813</u>	<u>(68,173)</u>
Net Assets - Beginning				<u>2,072,690</u>	<u>439,480</u>	<u>2,512,170</u>
Net Assets - Ending				<u>\$ 2,003,704</u>	<u>\$ 440,293</u>	<u>\$ 2,443,997</u>

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