

# SWAN MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

This is a narrative overview and analysis of the financial activities of SWAN for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with additional information that is in SWAN's financial statements.

## Management's Discussion, Analysis, & Financial Highlights

SWAN's organization purpose as outlined in our strategic plan's mission statement is summarized here. In addition to the report's financial highlights for fiscal year 2024's conclusion, the following:

- As a result of current year operations, net position increased by \$153,682, which brings SWAN's total net position to \$2,860,869 total. However, for the purposes of budgeting SWAN's excess cash for special projects, research & development, and one-time costs, we will use the Unrestricted financial figure of \$2,488,697
- Last year, GASB statement number 96, Subscription Based Information Technology Arrangements was adopted and moving forward for SWAN, the technology subscriptions that meet the GASB 96 definition for SWAN will be tracked as a liability and an intangible asset. The budget expense Library Services Platform is impacted by the audit, but SWAN will continue to record the actual expense for SirsiDynix and EBSCO in the given budget year.
- Three years ago, GASB statement number 87, Leases, was adopted and moving forward for SWAN, the commercial office lease is going to tracked as a Capital Asset (Right of Use Asset). This means the remaining years of the lease at 800 Quail Ridge is tracked similar to how Capital Equipment would be treated. While this GASB rule impacts the audit, SWAN can continue to record the actual expense for the lease under the Buildings & Grounds in the operations budget.

SWAN's financial statements are comprised of two components: (1) government-wide financial statements, and (2) notes to financial statements. This report also contains other supplementary information in addition to the two financial statements.

## Government-Wide Financial Analysis

SWAN's net position for fiscal year 2024 is detailed and compared with the previous fiscal year.

<b>SWAN's Net Position</b>	<b>30-Jun-24</b>	<b>30-Jun-23</b>	<b>Positive (Negative) Variance</b>
Total assets	<b>\$3,361,467</b>	\$3,662,206	<b>(\$300,739)</b>
Total liabilities	<b>\$500,598</b>	\$955,019	<b>(\$454,421)</b>
Total net position	<b>\$2,860,869</b>	\$2,707,187	\$153,682

<b>Change in Net Position</b>			<b>Positive (Negative) Variance</b>
Total revenues	<b>\$4,297,165</b>	\$4,118,809	\$178,356
Total expenses	<b>\$4,143,483</b>	\$3,837,605	\$305,878
Change in net position	<b>\$153,682</b>	\$281,204	<b>(\$127,522)</b>
Net position – beginning	<b>\$2,707,187</b>	\$2,425,983	\$281,204
<b>Net position – ending</b>	<b>\$2,860,869</b>	\$2,707,187	\$153,682

## Government-Wide Financial Statements (see audit report pages 5-7)

The government-wide financial statements are designed to provide readers with a broad overview of SWAN's finances. The statement of net position presents information about SWAN's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWAN is improving or deteriorating.

The statement of activities presents information showing how SWAN's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement from some items that will only result in cash flows in future fiscal periods (e.g., unused compensated absences, other post-employment benefits payable, grant receivables and accrued interest expense).

## Notes to the Financial Statements (see audit pages 12-19)

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and combining individual and fund financial statements and schedules.

### **Funds**

SWAN uses only the proprietary fund type, which as detailed in the audit report, are used to account for activities similar to those found in the private sector.

### **Capital Assets**

Capital assets for SWAN are detailed on page 16 of the audit report, which for fiscal year 2024 depreciated by (\$739,879).

### **Long-term liabilities**

Long-term liabilities for SWAN include accrued compensated absences, i.e., vacation pay. The liability for Subscription Based Intangible Assets (SBITA) were calculated for the first time in fiscal year 2023. Details on the SBITA for fiscal year 2024 are detailed on page 17 of the audit report.

### **Commitments**

SWAN's grant awarded by RAILS is detailed.

## Other Supplementary Information

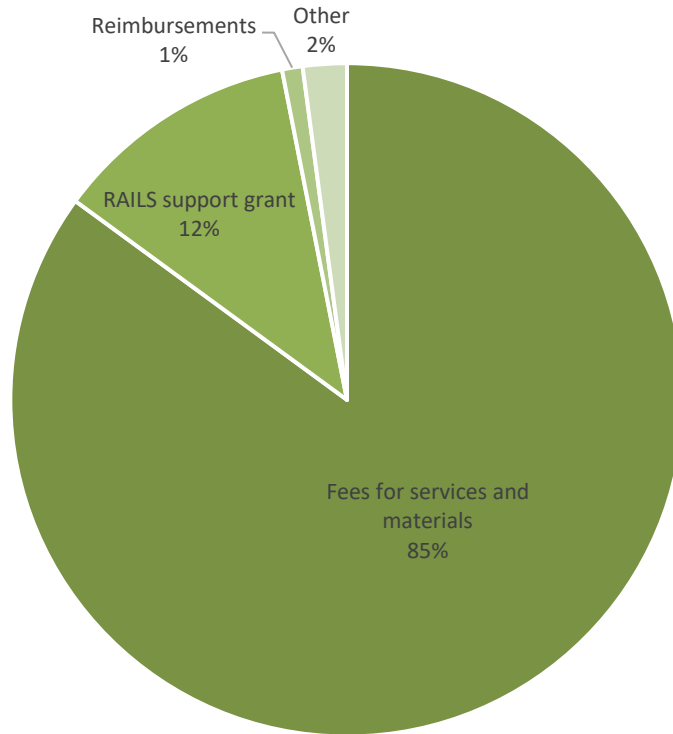
SWAN's budget and actual operating revenue and expenses are detailed in the schedule.

## SWAN Financial Outlook

SWAN relies on wide base of funding through assessment of membership fees, which comprises 85% of its revenue. RAILS LLSAP funding grant was awarded at \$499,038 for fiscal year 2024. Operating revenues ended the year over budget at \$3,173.

Operating expenses ended the year under budget at \$55,308.

Operating revenue net position for the year ended June 30, 2024



**Operating revenues**

Fees for services and materials

Actual

\$3,583,147

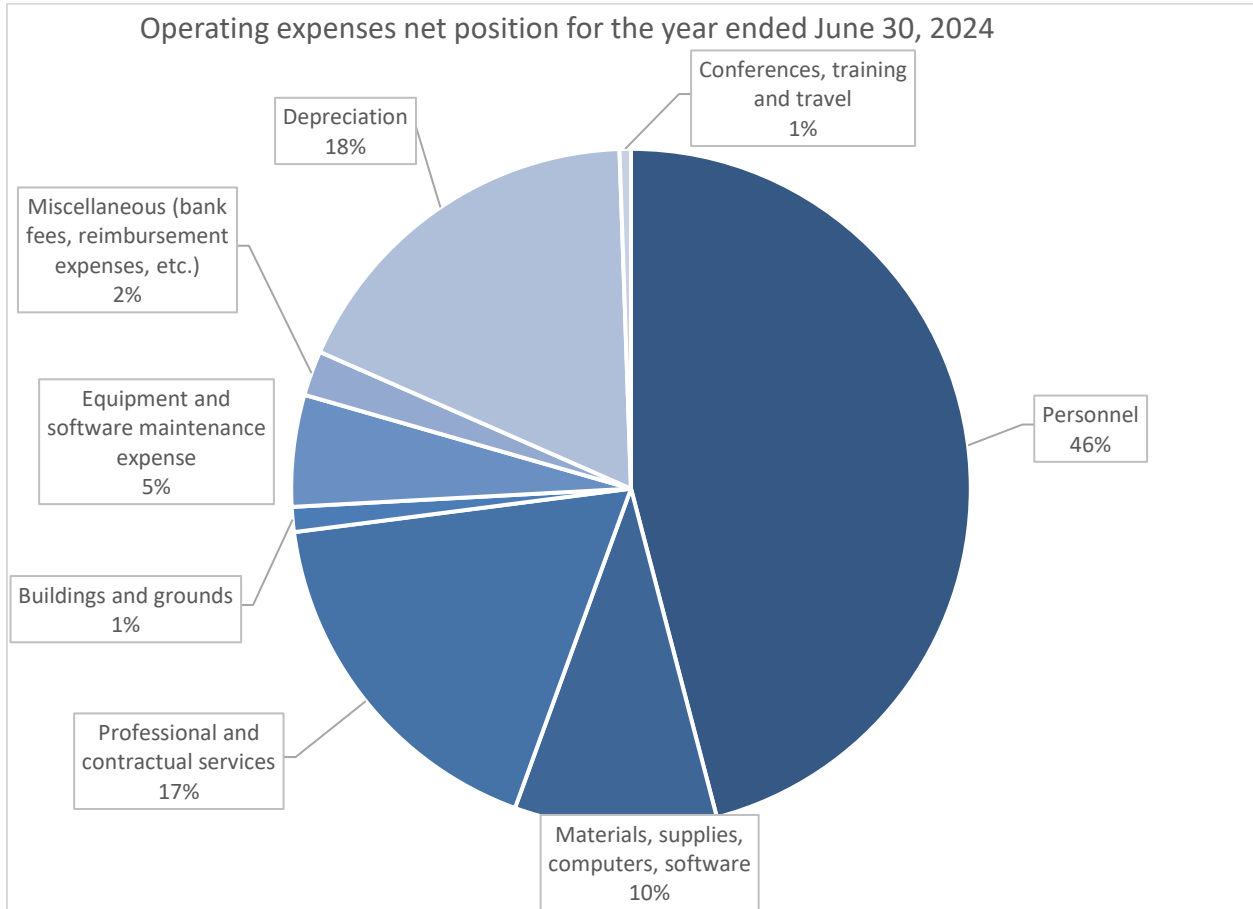
Budget

\$3,514,895

Positive  
(Negative)  
Variance  
with Final  
Budget

(\$68,252)

RAILS support grant	\$499,038	\$498,388	(\$650)
Reimbursements	\$41,624	\$63,000	\$21,376
Other	\$88,805	\$139,504	\$50,699
<b>Total operating revenues</b>	<b>\$4,212,614</b>	<b>\$4,215,787</b>	<b>\$3,173</b>



Operations	Actual	Budget	Positive (Negative) Variance with Final Budget
Personnel	\$1,902,008	\$1,878,500	(\$23,508)
Materials, supplies, computers, software	\$398,078	\$1,024,300	\$626,222
Professional and contractual services	\$720,975	\$804,955	\$83,980
Buildings and grounds	\$49,191	\$129,510	\$80,319
Equipment and software maintenance expense	\$219,895	\$220,660	\$765
Miscellaneous (bank fees, reimbursement expenses, etc.)	\$88,476	\$112,730	\$24,254

Depreciation	\$739,879	\$2,322	(\$737,557)
Conferences, training and travel	\$22,437	\$23,270	\$833
<b>Total operating expenses</b>	<b>\$4,140,939</b>	<b>\$4,196,247</b>	<b>\$55,308</b>

## Requests for Information

This financial report is designed to provide a general overview of SWAN's finances. Questions and comments concerning any information provided in this report should be addressed to Aaron Skog, 915 Harger Road, Suite 260, Oak Brook, Illinois 60523 Phone: 630-326-7022; email: [aaron@swalibraries.net](mailto:aaron@swalibraries.net)

# SYSTEM WIDE AUTOMATED NETWORK

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## ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024

915 Harger Road, Suite 260  
Oak Brook, IL 60523  
Phone: 844.792.6542  
[www.swanlibraries.net](http://www.swanlibraries.net)

# SYSTEM WIDE AUTOMATED NETWORK

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## **FINANCIAL SECTION**

This section includes:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Other Supplementary Information

## **INDEPENDENT AUDITOR'S REPORT**

This section includes the opinion of SWAN's independent auditing firm.



## **INDEPENDENT AUDITOR'S REPORT**

February 11, 2025

Members of the Executive Board  
System Wide Automated Network  
Westmont, Illinois

### **Opinions**

We have audited the accompanying financial statements of the System Wide Automated Network, (SWAN), Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SWAN's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System Wide Automated Network, Illinois, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SWAN, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SWAN's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

### **Auditor's Responsibilities for the Audit of the Financial Statements - Continued**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SWAN's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SWAN's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System Wide Automated Network, Illinois' basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# SYSTEM WIDE AUTOMATED NETWORK

## Management's Discussion and Analysis

June 30, 2024

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Our discussion and analysis of the System Wide Automated Network's financial performance provides an overview of SWAN's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter, in the introductory section, and SWAN's financial statements, which can be found in the basic financial section of this report.

### FINANCIAL HIGHLIGHTS

- SWAN's net position increased as a result of this year's operations. Net position increased by \$153,682, or 5.7 percent.
- During the year, revenues totaled \$4,297,165, while expenses totaled \$4,143,483, resulting in an increase to net position of \$153,682.
- SWAN's net position totaled \$2,860,869 on June 30, 2024, which includes \$372,172 net investment in capital assets and \$2,488,697 unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of SWAN.

The Statement of Net Position reports information on all of SWAN's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWAN is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in SWAN's member agencies and the condition of SWAN's facilities and programs, is needed to assess the overall health of SWAN.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how SWAN's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### Fund Financial Statements

#### Proprietary Funds

SWAN maintains one proprietary fund type: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

#### 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.

## SYSTEM WIDE AUTOMATED NETWORK

### Management's Discussion and Analysis

June 30, 2024

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#### USING THIS ANNUAL REPORT - Continued

##### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning SWAN's budgetary comparison schedules.

##### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of SWAN's financial position. The following tables show that in the case of the Authority, assets/deferred outflows exceeded liabilities/deferred inflows by \$2,860,869.

	Net Position	
	2024	2023
Current and Other Assets	\$ 2,723,198	2,284,058
Capital Assets	638,269	1,378,148
Total Assets	<u>3,361,467</u>	<u>3,662,206</u>
Long-Term Debt	98,343	353,896
Other Liabilities	402,255	601,123
Total Liabilities	<u>500,598</u>	<u>955,019</u>
Net Position		
Net Investment in Capital Assets	372,172	16,552
Unrestricted	<u>2,488,697</u>	<u>2,690,635</u>
Total Net Position	<u>2,860,869</u>	<u>2,707,187</u>

A large portion of SWAN's net position, \$372,172 or 13.0 percent, reflects its net investment in capital assets (for example, land, utility plant, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. SWAN uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although SWAN's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining 87.0 percent, or \$2,488,697, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

## SYSTEM WIDE AUTOMATED NETWORK

### Management's Discussion and Analysis

June 30, 2024

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Change in Net Position	
	2024	2023
Revenues		
Program Revenues		
Charges for Services	\$ 4,212,614	4,075,332
General Revenues		
Interest Income	84,551	43,477
Total Revenues	<u>4,297,165</u>	<u>4,118,809</u>
Expenses		
Operating Expenses	4,140,939	3,819,813
Interest Expense	2,544	17,792
Total Expenses	<u>4,143,483</u>	<u>3,837,605</u>
Change in Net Position	153,682	281,204
Net Position - Beginning	<u>2,707,187</u>	<u>2,425,983</u>
Net Position - Ending	<u>2,860,869</u>	<u>2,707,187</u>

Net position increased by 5.7 percent (\$2,860,869 in 2024 compared to \$2,707,187 in 2023). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled \$2,488,697 at June 30, 2024.

#### BUDGETARY HIGHLIGHTS

SWAN had one budget amendment during the fiscal year. For the current year, operating revenue received was under budget by \$3,173. The shortfall of operating revenue was largely due to fines payments and reciprocal borrowing revenue. Total operating expenses, exclusive of depreciation and amortization, were \$792,865 under budget mostly due to lower employee salaries and lower information and technology costs.



## SYSTEM WIDE AUTOMATED NETWORK

### Management's Discussion and Analysis

June 30, 2024

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#### CAPITAL ASSETS

SWAN's investment in capital assets as of June 30, 2024 was \$638,269 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, machinery and equipment, lease asset - building, and subscription asset - software.

	Capital Assets Net of Depreciation	
	2024	2023
Leasehold Improvements	\$ 361	1,223
Machinery and Equipment	13,869	15,329
Lease Asset - Building	28,560	97,107
Subscription Asset - Software	595,479	1,264,489
Total	638,269	1,378,148

SWAN did not have any capital additions in the current fiscal year.

Additional information on SWAN's capital assets can be found in Note 3 of this report.

#### DEBT ADMINISTRATION

At year-end, SWAN had total outstanding debt of \$266,097 as compared to \$790,284 the previous year, a decrease of 66.3 percent. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding	
	2024	2023
Leases Payable	\$ 35,467	118,238
Subscriptions Payable	230,630	672,046
Total	266,097	790,284

Additional information on SWAN's long-term debt can be found in Note 3 of this report.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, customers, and creditors with a general overview of SWAN's finances and to demonstrate SWAN's accountability for the money it receives and disburses. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Executive Director of the System Wide Automated Network, 915 Harger Road, Suite 260, Oak Brook, IL 60523.

## **BASIC FINANCIAL STATEMENTS**

# SYSTEM WIDE AUTOMATED NETWORK

## Statement of Net Position

June 30, 2024

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<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 2,642,664
Receivables	
Accounts	27,480
Deposits	23,467
Prepays	29,587
Total Current Assets	<u>2,723,198</u>
Noncurrent Assets	
Capital Assets	
Depreciable	2,535,480
Accumulated Depreciation	<u>(1,897,211)</u>
Total Noncurrent Assets	<u>638,269</u>
Total Assets	<u>3,361,467</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	47,211
Accrued Payroll	57,702
Accrued Interest Payable	6,659
Current Portion of Long-Term Debt	<u>290,683</u>
Total Current Liabilities	402,255
Noncurrent Liabilities	
Compensated Absences Payable	<u>98,343</u>
Total Liabilities	<u>500,598</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	372,172
Unrestricted	<u>2,488,697</u>
Total Net Position	<u>2,860,869</u>

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

## SYSTEM WIDE AUTOMATED NETWORK

### Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2024

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Operating Revenues	
Fees for Services and Materials	\$ 3,583,147
RAILS Support Grant	499,038
Reimbursements	41,624
Other	88,805
Total Operating Revenues	<u>4,212,614</u>
Operating Expenses	
Administration	3,401,060
Depreciation and Amortization	739,879
Total Operating Expenses	<u>4,140,939</u>
Operating Income	<u>71,675</u>
Nonoperating Revenues (Expenses)	
Investment Income	84,551
Interest Expense	(2,544)
	<u>82,007</u>
Change in Net Position	153,682
Net Position - Beginning	<u>2,707,187</u>
Net Position - Ending	<u><u>2,860,869</u></u>

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

## SYSTEM WIDE AUTOMATED NETWORK

### Statement of Cash Flows

For the Fiscal Year Ended June 30, 2024

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 4,248,104
Payment to Employees	(394,471)
Payments to Suppliers	(2,936,823)
	<u>916,810</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Debt	(524,187)
Interest Paid on Debt	(2,544)
	<u>(526,731)</u>
Cash Flows from Investing Activities	
Investment Income	<u>84,551</u>
Net Change in Cash and Cash Equivalents	474,630
Cash and Cash Equivalents - Beginning	<u>2,168,034</u>
Cash and Cash Equivalents - Ending	<u><u>2,642,664</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	71,675
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization Expense	739,879
(Increase) Decrease in Current Assets	35,490
Increase (Decrease) in Current Liabilities	<u>69,766</u>
Net Cash Provided by Operating Activities	<u><u>916,810</u></u>

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

## **SYSTEM WIDE AUTOMATED NETWORK**

### **Notes to the Financial Statements**

**June 30, 2024**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The System Wide Automated Network (SWAN), Illinois is a commission and public corporation incorporated and organized under the laws of the State of Illinois for the purpose of operating a joint waterworks system and providing area residents of Hillside and Berkeley with water and related services through SWAN's two member municipalities, the Village of Hillside and the Village of Berkeley. SWAN purchases water from the City of Chicago and receives the water through a transmission system maintained by the Village of Melrose Park, Illinois. The Commission is economically dependent on the Villages of Hillside and Berkeley.

The business and activities of SWAN are managed by its Board, which has statutory authority to elect officers, enact by-laws and enter into agreements and contracts for the management and regulation of SWAN's affairs.

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

#### **REPORTING ENTITY**

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government. Management has determined that there are no fiduciary component units that are required to be included in the financial statements of SWAN and there are no discretely component units to include in the reporting entity.

#### **BASIS OF PRESENTATION**

In the Statement of Net Position, SWAN's activities are reported on a full accrual, economic resources basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term obligations/deferred inflows. SWAN's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. SWAN first utilizes restricted resources to finance qualifying activities.

SWAN uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

SWAN utilizes a single proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties.

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

## **SYSTEM WIDE AUTOMATED NETWORK**

### **Notes to the Financial Statements**

**June 30, 2024**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

###### **Measurement Focus**

All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

###### **Basis of Accounting**

SWAN’s basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

##### **ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

###### **Cash and Investments**

For purpose of the Statement of Net Position, SWAN's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds’ Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, SWAN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of SWAN's investments are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

###### **Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for business-type activities include user charges.

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2024

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - Continued

##### Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepays are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

##### Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Leasehold Improvements	7 Years
Computer Equipment	5 Years
Machinery and Equipment	25 Years
Lease Asset - Building	5 Years
Subscription Asset - Software	3 - 5 Years

##### Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

##### Net Position

In the government-wide financial statements, equity is classified as net position and displayed in two components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."



## SYSTEM WIDE AUTOMATED NETWORK

### Notes to the Financial Statements

June 30, 2024

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#### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the enterprise fund by vote of the full membership and ratification of this vote by the Administrators' Board.

The Administrators' Board prepares the annual budget. The budget is prepared by category and includes information on the current year's estimates. The proposed budget is presented to the full membership for review and voting prior to ratification of this vote by the Administrators' Board. The budget was one amendment to the budget made in fiscal year 2024.

#### NOTE 3 - DETAIL NOTES ON FINANCIAL STATEMENTS

##### DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments - Statutes authorize SWAN to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Metropolitan Investment Fund.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

*Deposits.* At year-end, the carrying amount of SWAN's deposits totaled \$2,289,365 and the bank balances totaled \$2,312,316. In addition, SWAN had \$353,299 invested in IMET, which has an average maturity of less than one year.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SWAN minimizes this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operation funds primarily in shorter-term securities.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in security instruments authorized under State Statute, SWAN minimizes its exposure to credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which SWAN will do business, and by diversifying the portfolio so that potential losses on individual securities will be minimized.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, SWAN's deposits may not be returned to it. SWAN's investment policy states that all deposits are to be insured or collateralized with securities held by the pledging institutions. At June 30, 2024, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that in the event of the failure of the counterparty, SWAN will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. SWAN's investment policy does not specifically address custodial credit risk for investments. At year end, SWAN's investment in IMET was not subject to custodial credit risk.

## SYSTEM WIDE AUTOMATED NETWORK

### Notes to the Financial Statements

June 30, 2024

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#### NOTE 3 - DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

##### DEPOSITS AND INVESTMENTS - Continued

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of SWAN's investment in a single issuer. SWAN's investment policy requires that investment be made only in securities guaranteed by the U.S. Government, or in FDIC insured institutions. Deposit accounts in banks or savings and loan institutions will not exceed the amount insured by FDIC coverage (unless adequately collateralized pursuant to Regulations of the Federal Reserve regarding custody and safekeeping of collateral). At year-end, SWAN does not have any investments over 5 percent of the total cash and investment portfolio.

##### CAPITAL ASSETS

The following is a summary of capital asset activity for the year:

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Leasehold Improvements	\$ 6,895	—	—	6,895
Computer Equipment	324,383	—	—	324,383
Machinery and Equipment	36,501	—	—	36,501
Lease Asset - Building	234,202	—	—	234,202
Subscription Asset - Software	1,933,499	—	—	1,933,499
	<u>2,535,480</u>	<u>—</u>	<u>—</u>	<u>2,535,480</u>
Less Accumulated Depreciation				
Leasehold Improvements	5,672	862	—	6,534
Computer Equipment	324,383	—	—	324,383
Machinery and Equipment	21,172	1,460	—	22,632
Lease Asset - Building	137,095	68,547	—	205,642
Subscription Asset - Software	669,010	669,010	—	1,338,020
	<u>1,157,332</u>	<u>739,879</u>	<u>—</u>	<u>1,897,211</u>
Total Net Capital Assets	<u>1,378,148</u>	<u>(739,879)</u>	<u>—</u>	<u>638,269</u>

Depreciation expense of \$739,879 was charged to SWAN.

## SYSTEM WIDE AUTOMATED NETWORK

### Notes to the Financial Statements

June 30, 2024

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#### NOTE 3 - DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

##### LONG-TERM DEBT

###### Leases Payable

SWAN entered into a seven-year, non-cancelable lease agreement for a right to use office space asset beginning in March 2017 and ending in November 2024 with monthly payments of \$5,785 to \$7,115, including interest of 1.175%. The total right to use office space acquired under this agreement is \$234,202.

Per the agreement, the landlord will provide an annual cost statement and SWAN's pro rata share of the cost is compared to the estimated rent payments made during the year. Swan will be assessed any underpayment or refunded, through future rent credits, any overpayment.

###### Subscriptions Payable

SWAN entered into a 60 month subscription for the use of SirsiDynix Services beginning May 1, 2020 and ending April 30, 2025. As of year-end, the value of the subscription liability is \$0. SWAN is required to make annual fixed payments of \$443,013. The subscription has an interest rate of 0.360%. The value of the right to use asset as of year-end of \$1,250,043 with accumulated amortization of \$882,383 is included with Software in the capital assets note disclosure.

SWAN entered into a 36 month subscription for the use of EBSCO Discovery Service beginning July 1, 2022 and ending June 30, 2025. An initial subscription liability was recorded in the amount of \$683,456. As of year-end, the value of the subscription liability is \$230,630. SWAN is required to make annual fixed payments of \$231,496 to \$237,308. The subscription has an interest rate of 2.850%. The value of the right to use asset as of year-end of \$683,456 with accumulated amortization of \$455,637 is included with Software in the capital assets note disclosure.

###### Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Compensated Absences	\$ 109,749	26,360	13,180	122,929	24,586
Leases Payable	118,238	—	82,771	35,467	35,467
Subscriptions Payable	672,046	—	441,416	230,630	230,630
	900,033	26,360	537,367	389,026	290,683

## SYSTEM WIDE AUTOMATED NETWORK

### Notes to the Financial Statements

June 30, 2024

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#### NOTE 3 - DETAIL NOTES ON FINANCIAL STATEMENTS - Continued

##### LONG-TERM DEBT - Continued

##### Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Leases Payable		Subscriptions Payable	
	Principal	Interest	Principal	Interest
2025	\$ 35,467	104	230,630	6,678

##### NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets was comprised of the following at year-end:

Capital Assets - Net of Accumulated Depreciation	\$ 638,269
Less Capital Related Debt:	
Leases Payable	(35,467)
Subscriptions Payable	<u>(230,630)</u>
Net Investment in Capital Assets	<u>372,172</u>

#### NOTE 4 - OTHER INFORMATION

##### RISK MANAGEMENT

SWAN is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to SWAN's employees. These risks are covered by commercial insurance. There has been no significant reduction in coverage in any program from coverage in the prior year. For all programs, settlement amounts have not exceeded insurance coverage for the past three years.

##### CONTINGENT LIABILITIES

##### Litigation

From time to time, SWAN is party to various pending claims and legal proceedings with respect to employment, civil rights, property taxes and other matters. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and SWAN attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on SWAN's financial position or results of operations.

## SYSTEM WIDE AUTOMATED NETWORK

### Notes to the Financial Statements

June 30, 2024

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#### NOTE 4 - OTHER INFORMATION - Continued

##### CONTINGENT LIABILITIES - Continued

###### Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although SWAN expects such amounts, if any, to be immaterial.

##### COMMITMENTS

From July 2011 through June 2019, SWAN maintained a contract for services with the Reaching Across Illinois Library System (RAILS), a governmental entity. These services included, with some variations between contracts: administration, management, finance, human resources, bibliographic services, information technology support, use of facilities, utilities, telecommunications, vehicles, and all personnel salaries and costs. Under these agreements, SWAN either paid an amount to RAILS to partially reimburse RAILS for its contract expenditures incurred or received a support amount from RAILS to supplement the other support received.

In July 2019, this contract transitioned to an annual grant award from RAILS to SWAN, subject to an annual application and semi-annual report process. The services in the fiscal year 2024 grant agreement include use of meeting rooms, communication and collaboration opportunities and services, grant opportunities for new members, delivery services to Local Library System Automation Program (LLSAP) facility, help desk ticket system services, integrated library system (ILS) phone notification dialer co-location, and website provision and support. Under the grant, SWAN will receive payment from RAILS to supplement its other support in the total amount of \$500,616 during fiscal year 2025. This agreement is cancellable by mutual written consent or by either party upon 120 days' written notice to the other party. RAILS may terminate this agreement due to the discontinuation of sufficient funding from the Illinois Secretary of State upon written notice to SWAN effective as of the date of termination or the discontinuance of such funding.

##### DEFINED CONTRIBUTION PLAN

SWAN provides retirement benefits for all of its full-time employees through a defined contribution plan. This plan was established with the MissionSquare (formerly ICMA-RC) plan provided by SWAN, which is a 401(a) plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for state and local governments and their instrumentalities throughout the United States. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, SWAN's policy is such that SWAN contributes on behalf of each full-time employee 9.75% of the employee's earnings at the end of every biweekly payroll period. SWAN's contribution for fiscal year ended June 30, 2024, was \$137,217.

##### OTHER POST-EMPLOYMENT BENEFITS

SWAN has evaluated its potential other postemployment benefits liability. Former employees who choose to retain their rights to health insurance through SWAN are required to pay 100% of the current premium. Based upon a review of census data and plan provisions, as well as minimal utilization rates, it has been determined that any liability is immaterial to the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Additionally, SWAN provides no explicit benefit. Therefore, SWAN has not recorded a liability as of June 30, 2024.

## **OTHER SUPPLEMENTARY INFORMATION**

**SYSTEM WIDE AUTOMATED NETWORK**

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual  
For the Fiscal Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Operating Revenues</b>				
Fees for Services and Materials	\$ 3,514,895	3,514,895	3,583,147	68,252
RAILS Support Grant	498,388	498,388	499,038	650
Reimbursements	63,000	63,000	41,624	(21,376)
Other	139,504	139,504	88,805	(50,699)
Total Operating Revenues	<u>4,215,787</u>	<u>4,215,787</u>	<u>4,212,614</u>	<u>(3,173)</u>
<b>Operating Expenses</b>				
Personnel	1,878,500	1,878,500	1,902,008	(23,508)
Library Materials and Supplies	1,024,300	1,024,300	398,078	626,222
Building and Grounds	129,510	129,510	49,191	80,319
Conferences, Training, and Travel	23,270	23,270	22,437	833
Professional and Contractual Services	804,955	804,955	720,975	83,980
Equipment and Software Maintenance	140,770	220,660	219,895	765
Miscellaneous	112,730	112,730	88,476	24,254
Depreciation and Amortization	2,322	2,322	739,879	(737,557)
Total Operating Expenses	<u>4,116,357</u>	<u>4,196,247</u>	<u>4,140,939</u>	<u>55,308</u>
Operating Income	<u>99,430</u>	<u>19,540</u>	<u>71,675</u>	<u>52,135</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	20,800	20,800	84,551	63,751
Interest Expense	—	—	(2,544)	(2,544)
	<u>20,800</u>	<u>20,800</u>	<u>82,007</u>	<u>61,207</u>
Change in Net Position	<u>120,230</u>	<u>40,340</u>	153,682	<u>113,342</u>
Net Position - Beginning			<u>2,707,187</u>	
Net Position - Ending			<u>2,860,869</u>	

## SYSTEM WIDE AUTOMATED NETWORK

### Schedule of Operating Expenses - Budget and Actual For the Fiscal Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Administration</b>				
<b>Personnel</b>				
Salaries and Wages	\$ 1,546,800	1,546,800	1,474,572	72,228
<b>Payroll Taxes and Benefits:</b>				
Health, Dental, Life, and Disability Insurance	192,400	192,400	177,738	14,662
Retirement Benefits and Administration	14,900	14,900	137,217	(122,317)
Other Fringe Benefits	1,500	1,500	155	1,345
Social Security Taxes	118,400	118,400	107,418	10,982
Worker's Compensation	4,500	4,500	4,908	(408)
	<u>1,878,500</u>	<u>1,878,500</u>	<u>1,902,008</u>	<u>(23,508)</u>
<b>Library Materials and Supplies</b>				
Computers, Software, and Supplies	1,016,300	1,016,300	393,829	622,471
General Office Supplies and Equipment	2,200	2,200	3,292	(1,092)
Postage	500	500	763	(263)
Print Materials	5,300	5,300	—	5,300
Marketing and Promotional Materials	—	—	194	(194)
	<u>1,024,300</u>	<u>1,024,300</u>	<u>398,078</u>	<u>626,222</u>
<b>Building and Grounds</b>				
Rent	117,300	117,300	37,554	79,746
Utilities	6,700	6,700	6,056	644
Property Insurance	650	650	642	8
Repairs and Maintenance	860	860	1,465	(605)
Custodial Service and Supplies	4,000	4,000	3,474	526
	<u>129,510</u>	<u>129,510</u>	<u>49,191</u>	<u>80,319</u>
<b>Conferences, Training, and Travel</b>				
Conferences and Training	6,900	6,900	5,639	1,261
Professional Development	15,570	15,570	14,980	590
Travel	800	800	1,818	(1,018)
	<u>23,270</u>	<u>23,270</u>	<u>22,437</u>	<u>833</u>
<b>Professional and Contractual Services</b>				
Accounting	19,160	19,160	20,160	(1,000)
Consulting	75,000	75,000	3,175	71,825
Equipment Rental	1,000	1,000	956	44
Group Purchases	452,371	452,371	479,031	(26,660)



**SYSTEM WIDE AUTOMATED NETWORK**

**Schedule of Operating Expenses - Budget and Actual - Continued  
For the Fiscal Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Administration - Continued				
Professional and Contractual Services - Continued				
Information Services	\$ 108,600	108,600	64,315	44,285
Legal	1,500	1,500	1,226	274
Liability Insurance	11,500	11,500	11,218	282
Other Contractual Services	29,124	29,124	35,117	(5,993)
Telephone and Telecommunications	14,500	14,500	13,191	1,309
Notification and Collection	92,200	92,200	92,586	(386)
	<u>804,955</u>	<u>804,955</u>	<u>720,975</u>	<u>83,980</u>
Equipment and Software Maintenance	<u>140,770</u>	<u>220,660</u>	<u>219,895</u>	<u>765</u>
Miscellaneous				
eCommerce	45,680	45,680	43,363	2,317
Other	350	350	866	(516)
Bank Fees	3,700	3,700	2,562	1,138
Reimburse Resource Sharing	63,000	63,000	41,685	21,315
	<u>112,730</u>	<u>112,730</u>	<u>88,476</u>	<u>24,254</u>
Total Administration	<u>4,114,035</u>	<u>4,193,925</u>	<u>3,401,060</u>	<u>792,865</u>
Depreciation	2,322	2,322	70,869	(68,547)
Amortization	—	—	669,010	(669,010)
Total Depreciation and Amortization	<u>2,322</u>	<u>2,322</u>	<u>739,879</u>	<u>(737,557)</u>
Total Operating Expenses	<u><u>4,116,357</u></u>	<u><u>4,196,247</u></u>	<u><u>4,140,939</u></u>	<u><u>55,308</u></u>