

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2013



SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Administrators' Council
System Wide Automated Network
Burr Ridge, Illinois

We have audited the accompanying basic financial statements of the business-type activities of the System Wide Automated Network, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System Wide Automated Network's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the System Wide Automated Network, for the year ended June 30, 2013, 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.

Emphasis of Matter

System Wide Automated Network adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. Statement No. 63 added new classifications on the statement of net position and changed net assets to net position. Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No. 63. Our opinions are not modified with respect to this matter.

Other Matters

The System Wide Automated Network has not presented a Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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



Naperville, Illinois
September 26, 2013

BASIC FINANCIAL STATEMENTS

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

STATEMENT OF NET POSITION

June 30, 2013

CURRENT ASSETS	
Cash and cash equivalents	\$ 2,275,359
Accounts receivable, net	33,120
Inventory	33,650
Prepaid expenses	<u>187,778</u>
Total current assets	2,529,907
NONCURRENT ASSETS	
Capital assets	<u>209,813</u>
Total assets	<u>2,739,720</u>
CURRENT LIABILITIES	
Accounts payable	86,399
Accrued payroll	30,326
Current portion of compensated absences	<u>3,370</u>
Total current liabilities	<u>120,095</u>
NONCURRENT LIABILITIES	
Compensated absences	<u>19,099</u>
Total noncurrent liabilities	<u>19,099</u>
Total liabilities	<u>139,194</u>
NET POSITION	
Net investment in capital assets	209,813
Unrestricted	<u>2,390,713</u>
TOTAL NET POSITION	<u><u>\$ 2,600,526</u></u>

See accompanying notes to financial statements.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

For the Year Ended June 30, 2013

OPERATING REVENUES

Intergovernmental	
Fees for services and materials	\$ 1,964,709
Reimbursements	140,523
Miscellaneous	<u>91,500</u>
Total operating revenues	<u>2,196,732</u>

OPERATING EXPENSES

Administration	
Personnel	889,449
Library materials, supplies, and miscellaneous	16,282
Building and equipment management	378,461
Travel and registration	11,270
Professional and contractual services	344,493
Depreciation	53,455
Miscellaneous	<u>25,910</u>
Total operating expenses	<u>1,719,320</u>

OPERATING INCOME	<u>477,412</u>
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NONOPERATING REVENUES (EXPENSES)

Investment income	<u>3,656</u>
Total nonoperating revenues (expenses)	<u>3,656</u>

CHANGES IN NET POSITION	481,068
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NET POSITION, JULY 1	<u>2,119,458</u>
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NET POSITION, JUNE 30	<u><u>\$ 2,600,526</u></u>
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See accompanying notes to financial statements.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from members and users	\$ 2,338,867
Payments to suppliers	(1,073,856)
Payments to employees	<u>(836,653)</u>
Net cash from operating activities	<u>428,358</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
None	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(175,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>3,656</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	256,087
CASH AND CASH EQUIVALENTS, JULY 1	<u>2,019,272</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 2,275,359</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 477,412
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	53,455
Change in assets and liabilities	
Accounts receivable, net	142,135
Inventory	(27,725)
Accounts payable	(128,699)
Accrued payroll	30,327
Compensated absences	22,469
Prepays	<u>(141,016)</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 428,358</u></u>

See accompanying notes to financial statements.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the System Wide Automated Network (SWAN) 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.

SWAN is a membership organization that is designed for libraries in and around Chicago to house their collections and data in a shared, collaborative environment. The SWAN organization incorporated as an independent organization in 2010. SWAN is governed by its Governing Board, comprised of seven library directors elected from the SWAN membership.

The accounting policies of SWAN 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. 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.

SWAN is not included as a component unit of any other entity.

b. Fund Accounting

Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into a single fund.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of SWAN is that the costs (expenses, including depreciation) of providing goods or services to its members on a continuing basis be financed or recovered primarily through members charges or (b) where SWAN has decided that periodic determination of revenues earned, expenses incurred, and net income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

d. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent cash in checking and money market accounts. All highly liquid investments with an original maturity of three months or less when purchased are classified as cash equivalents.

e. Investments

Investments are stated at fair value.

SYSTEM WIDE AUTOMATED NETWORK
 BURR RIDGE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Accounts Receivable

SWAN recognizes member charges in the period in which services are provided. SWAN bills these members on a quarterly basis.

g. Spares Inventory

Inventory consists of staff licenses and is accounted for at the lower of cost or market, using the first-in/first-out (FIFO) method and the consumption method.

h. Compensated absences

SWAN records a liability for employees' vacation leave earned, but not taken. As of June 30, 2013, SWAN has recorded a liability for vacation leave earned but not taken at salary rates then in effect, which total \$22,470. SWAN considers a portion of this liability to be both current and long-term.

A summary of compensated absences transactions for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Compensated Absences	\$ -	\$ 22,469	\$ -	\$ 22,469	\$ 3,370
TOTAL	\$ -	\$ 22,469	\$ -	\$ 22,469	\$ 3,370

i. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the business-type activities column. Capital assets are defined by SWAN 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.

SYSTEM WIDE AUTOMATED NETWORK
 BURR RIDGE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Capital Assets (Continued)

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

j. Net Position

Net investment in capital assets represents the book value of capital assets.

2. DEPOSITS AND INVESTMENTS

a. Deposits

To guard against credit risk for deposits with financial institutions, SWAN'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 SWAN.

b. Cash and Investments

As of June 30, 2013, SWAN's investments consisted of \$747,239 in Illinois Funds, which have an underlying maturity of 90 days, and certificates of deposit of \$1,494,500.

c. Investments

According to SWAN's investment policy, investments will be made only in securities guaranteed by the U.S. government, or in FDIC insured institutions including SAIF of the FDIC. 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).

SYSTEM WIDE AUTOMATED NETWORK
 BURR RIDGE, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

c. Investments (Continued)

In accordance with its investment policy, SWAN 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.

SWAN 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, 2013 was as follows:

	Balances July 1	Increases	Decreases	Balances June 30
BUSINESS TYPE ACTIVITIES				
Machinery and equipment	\$ 1,563,856	\$ -	\$ -	\$ 1,563,856
Computers	-	175,927	-	175,927
Total capital assets being depreciated	1,563,856	175,927	-	1,739,783
Less accumulated depreciation for				
Machinery and equipment	1,476,515	38,794	-	1,515,309
Computers	-	14,661	-	14,661
Total accumulated depreciation	1,476,515	53,455	-	1,529,970
BUSINESS TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 87,341	\$ 122,472	\$ -	\$ 209,813

4. 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 International City Managers Association Retirement Corporation (ICMA-RC), 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. Only one employee, the SWAN Member Service Manager, may make contributions to the plan, which is an additional \$825 each biweekly payroll period.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. DEFINED CONTRIBUTION PLAN (Continued)

Additionally, SWAN allows for employees to contribute to Individual Retirement Accounts (IRA), which are also administered by ICMA-RC, through biweekly payroll deductions.

SWAN's contributions for each employee (and interest allocated to the employee's account) are fully vested if the employee was hired prior to July 1, 2012. All employees hired after July 1, 2012 will be vested 100% after completing one year of service. SWAN's nonvested contributions and the interest forfeited by employees who leave employment before one year of service are used to reduce SWAN's contribution requirement to the remaining employees. The Executive Director and Board of Directors are responsible for establishing and amending the plan provisions.

SWAN'S payroll and contributions for the fiscal year ended June 30, 2013 is:

SWAN's total payroll	\$	677,093
Subject to contribution		629,601
SWAN'S contribution		62,445
Covered employees' contribution		21,450

SUPPLEMENTAL DATA

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Year Ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Intergovernmental		
Fees for services and materials	\$ 464,432	\$ 1,964,709
Reimbursements	1,255,111	140,523
Miscellaneous	342,912	91,500
	<u>2,062,455</u>	<u>2,196,732</u>
OPERATING EXPENSES		
Administration		
Contractual personnel services	1,063,177	889,449
Library materials, supplies, and miscellaneous	68,525	16,282
Building, vehicle, and equipment management	340,639	378,461
Travel and registration	9,870	11,270
Professional and contractual services	487,784	344,493
Telecommunications	19,000	-
Depreciation	-	53,455
Miscellaneous	29,160	25,910
	<u>2,018,155</u>	<u>1,719,320</u>
	44,300	477,412
OPERATING INCOME		
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,000	3,656
	<u>6,000</u>	<u>3,656</u>
	<u>\$ 50,300</u>	481,068
CHANGE IN NET POSITION		
NET POSITION, JULY 1		<u>2,119,458</u>
NET POSITION, JUNE 30		<u>\$ 2,600,526</u>

(See independent auditor's report.)

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

For the Year Ended June 30, 2013

	Original and Final Budget	Actual
PERSONNEL SERVICES		
Salaries and wages		
Library professionals	\$ -	\$ 169,132
Other professionals	516,762	295,796
Support services	278,256	234,634
Payroll taxes and benefits		
Social security expense	58,334	50,024
Workmen's compensation	2,385	2,094
Retirement fund	99,048	62,445
Health, Dental, Life, and Disability Insurance	108,392	75,324
 Total personnel services	 <u>1,063,177</u>	 <u>889,449</u>
LIBRARY MATERIALS AND SUPPLIES		
Printed materials	500	173
Computer supplies	19,000	7,775
Office supplies	12,000	8,334
Postage	37,025	-
 Total library materials and supplies	 <u>68,525</u>	 <u>16,282</u>
BUILDING, VEHICLE, AND EQUIPMENT MANAGEMENT		
Equipment repair and maintenance	340,639	378,461
TRAVEL AND REGISTRATION		
Travel		
In-state travel	1,500	5,717
Out-of-state travel	5,370	-
Conferences and meetings	-	35
Registration fees	3,000	5,518
 Total travel and registration	 <u>9,870</u>	 <u>11,270</u>

(This schedule is continued on the following page.)

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2013

	Original and Final Budget	Actual
PROFESSIONAL AND CONTRACTUAL SERVICES		
Accounting	\$ 2,950	\$ 5,665
Liability insurance	8,838	7,014
Legal	6,500	1,716
Consulting	183,560	16,285
Membership dues	170	860
Agreements with systems, libraries, and other	20,000	148,875
Information services	263,896	153,980
Other contractual	1,870	10,098
	<hr/>	<hr/>
Total professional and contractual services	487,784	344,493
	<hr/>	<hr/>
TELEPHONE AND TELECOMMUNICATIONS	19,000	-
	<hr/>	<hr/>
DEPRECIATION	-	53,455
	<hr/>	<hr/>
MISCELLANEOUS		
Other	1,660	8,813
E-commerce fees	27,500	17,097
	<hr/>	<hr/>
Total miscellaneous	29,160	25,910
	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 2,018,155</u>	<u>\$ 1,719,320</u>

(See independent auditor's report.)