

# SYSTEM WIDE AUTOMATED NETWORK

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## ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
JUNE 30, 2025

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# 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

January 14, 2026

Members of the Executive Board  
System Wide Automated Network  
Oak Brook, Illinois

### **Opinions**

We have audited the accompanying financial statements of the System Wide Automated Network (SWAN) as of and for the year ended June 30, 2025, 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, 2025, 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 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, 2025

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Our discussion and analysis of the System Wide Automated Network's (SWSAN) financial performance provides an overview of SWAN's financial activities for the fiscal year ended June 30, 2025. 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 \$2,341, or 0.1 percent.
- During the year, revenues totaled \$3,872,558, while expenses totaled \$3,870,217, resulting in an increase to net position of \$2,341.
- SWAN's net position totaled \$2,619,377 on June 30, 2025, which includes \$325,235 net investment in capital assets and \$2,294,142 unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors.
- The beginning net position was restated due to the implementation of GASB Statement No. 101, *Compensated Absences*.

### 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, 2025

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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 \$2,619,377.

	Net Position	
	2025	2024
Current and Other Assets	\$ 2,713,625	2,723,198
Capital Assets	1,637,721	638,269
<b>Total Assets</b>	<b>4,351,346</b>	<b>3,361,467</b>
Long-Term Debt	1,344,207	98,343
Other Liabilities	387,762	402,255
<b>Total Liabilities</b>	<b>1,731,969</b>	<b>500,598</b>
Net Position		
Net Investment in Capital Assets	325,235	372,172
Unrestricted	2,294,142	2,488,697
<b>Total Net Position</b>	<b>2,619,377</b>	<b>2,860,869</b>

A large portion of SWAN's net position, \$325,235 or 12.4 percent, reflects its net investment in capital assets (for example, leasehold improvements, computer equipment, machinery and equipment, lease asset - building, and subscription asset - software), 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 87.6 percent, or \$2,294,142, 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, 2025

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Change in Net Position	
	2025	2024
Revenues		
Program Revenues		
Charges for Services	\$ 3,770,516	4,212,614
General Revenues		
Investment Income	102,042	84,551
Total Revenues	<u>3,872,558</u>	<u>4,297,165</u>
Expenses		
Operating Expenses	3,840,089	4,140,939
Disposal of Capital Assets	28,574	—
Interest Expense	1,554	2,544
Total Expenses	<u>3,870,217</u>	<u>4,143,483</u>
Change in Net Position	2,341	153,682
Net Position - Beginning as Previously Reported	2,860,869	—
Restatement - Change in Accounting Principle	(243,833)	—
Net Position - Beginning as Restated	<u>2,617,036</u>	<u>2,707,187</u>
Net Position - Ending	<u>2,619,377</u>	<u>2,860,869</u>

Net position increased by 0.1 percent (\$2,619,377 in 2025 compared to \$2,617,036 in 2024). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled \$2,294,142 at June 30, 2025.

### BUDGETARY HIGHLIGHTS

SWAN had no budget amendments during the fiscal year. For the current year, operating revenue received was under budget by \$239,902. The shortfall of operating revenue was largely due to fees for services and materials was below budget, as well as other revenues. Total operating expenses, exclusive of depreciation and amortization, were \$968,468 under budget mostly due to cost savings in all areas except for personnel, and equipment and software maintenance.

# SYSTEM WIDE AUTOMATED NETWORK

## Management's Discussion and Analysis

June 30, 2025

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### CAPITAL ASSETS

SWAN's investment in capital assets as of June 30, 2025 was \$1,637,721 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, machinery and equipment, lease asset - building, and subscription asset - software.

	Capital Assets	
	2025	2024
Leasehold Improvements	\$ —	361
Machinery and Equipment	12,409	13,869
Lease Asset - Building	291,984	28,560
Subscription Asset - Software	1,333,328	595,479
 Total	 <u>1,637,721</u>	 <u>638,269</u>

SWAN's capital additions in the current fiscal year.

Leased Assets	\$ 316,030
Subscription Asset - Software	<u>1,400,555</u>
 Total Additions	 <u>1,716,585</u>

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 \$1,312,486 as compared to \$266,097 the previous year, an increase of 393.2 percent. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding	
	2025	2024
Leases Payable	\$ 316,030	35,467
Subscriptions Payable	996,456	230,630
 Total	 <u>1,312,486</u>	 <u>266,097</u>

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

## **SYSTEM WIDE AUTOMATED NETWORK**

### **Management's Discussion and Analysis**

**June 30, 2025**

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### **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, 2025

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### ASSETS

Current Assets	
Cash and Investments	\$ 2,669,808
Receivables	
Accounts	35,465
Deposits	8,352
Total Current Assets	<u>2,713,625</u>
Noncurrent Assets	
Capital Assets	
Depreciable/Amortizable	2,084,364
Accumulated Depreciation/Amortization	(446,643)
Total Noncurrent Assets	<u>1,637,721</u>
Total Assets	<u>4,351,346</u>

### LIABILITIES

Current Liabilities	
Accounts Payable	11,293
Accrued Payroll	68,525
Current Portion of Long-Term Debt	<u>307,944</u>
Total Current Liabilities	<u>387,762</u>
Noncurrent Liabilities	
Compensated Absences Payable	271,732
Leases Payable	279,542
Subscriptions Payable	<u>792,933</u>
Total Noncurrent Liabilities	<u>1,344,207</u>
Total Liabilities	<u>1,731,969</u>

### NET POSITION

Net Investment in Capital Assets	325,235
Unrestricted	<u>2,294,142</u>
Total Net Position	<u>2,619,377</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, 2025

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Operating Revenues	
Fees for Services and Materials	\$ 3,177,104
RAILS Support Grant	500,616
Reimbursements	44,985
Other	47,811
Total Operating Revenues	<u>3,770,516</u>
Operating Expenses	
Administration	3,122,956
Depreciation and Amortization	717,133
Total Operating Expenses	<u>3,840,089</u>
Operating (Loss)	<u>(69,573)</u>
Nonoperating Revenues (Expenses)	
Investment Income	102,042
Disposal of Capital Assets	(28,574)
Interest Expense	(1,554)
	<u>71,914</u>
Change in Net Position	<u>2,341</u>
Net Position - Beginning as Previously Reported	2,860,869
Restatement - Change in Accounting Principle	(243,833)
Net Position - Beginning as Restated	<u>2,617,036</u>
Net Position - Ending	<u>2,619,377</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, 2025

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 3,807,233
Payment to Employees	(323,162)
Payments to Suppliers	<u>(2,858,645)</u>
	<u>625,426</u>
 Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(1,716,585)
Disposal of Capital Assets	(28,574)
Issuance of Debt	1,716,585
Principal Paid on Debt	(670,196)
Interest Paid on Debt	<u>(1,554)</u>
	<u>(700,324)</u>
 Cash Flows from Investing Activities	
Investment Income	<u>102,042</u>
 Net Change in Cash and Cash Equivalents	27,144
 Cash and Cash Equivalents - Beginning	<u>2,642,664</u>
 Cash and Cash Equivalents - Ending	<u>2,669,808</u>
 Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Operating (Loss)	(69,573)
Adjustments to Reconcile Operating Income	
to Net Cash Provided by (Used in)	
Operating Activities	
Depreciation and Amortization Expense	717,133
(Increase) Decrease in Current Assets	36,717
Increase (Decrease) in Current Liabilities	<u>(58,851)</u>
 Net Cash Provided by Operating Activities	<u>625,426</u>

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

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System Wide Automated Network (SWAN), Illinois 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 was formed as an Illinois Intergovernmental Instrumentality in 2010. SWAN is governed by its Administrators' Board, comprised of seven library directors elected from the SWAN membership.

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, 2025

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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

##### 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, 2025

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

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

##### 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/amortized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets in the proprietary funds are capitalized/amortized 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/amortization on all assets is computed and recorded using the straight-line method of depreciation/amortization 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.

##### Compensated Absences

SWAN's policy allows full time and part time employees to earn varying amounts of sick and vacation pay for each year employed.

Full time employees accrue vacation between 20 to 25 days per year. Employees are eligible to accrue vacation based on their length of service with SWAN. Full time employees earn one sick day per month and may accrue up to 90 days. Part time employees may accrue 15 days of paid time off per year.

Upon separation of employment any unused vacation time is paid out to the employee.

All vacation pay is accrued when incurred in the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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

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

##### 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."

### 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. No budget amendments were made in fiscal year 2025.

### 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 \$2,300,195 and the bank balances totaled \$2,307,015. In addition, SWAN had \$369,613 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.

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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

#### DEPOSITS AND INVESTMENTS - Continued

*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 - 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.

*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
<b>Depreciable/amortizable Capital Assets</b>				
Leasehold Improvements	\$ 6,895	—	—	6,895
Computer Equipment	324,383	—	—	324,383
Machinery and Equipment	36,501	—	—	36,501
Lease Asset - Building	234,202	316,030	234,202	316,030
Subscription Asset - Software	1,933,499	1,400,555	1,933,499	1,400,555
	<b>2,535,480</b>	<b>1,716,585</b>	<b>2,167,701</b>	<b>2,084,364</b>
<b>Less Accumulated Depreciation</b>				
Leasehold Improvements	6,534	361	—	6,895
Computer Equipment	324,383	—	—	324,383
Machinery and Equipment	22,632	1,460	—	24,092
Lease Asset - Building	205,642	52,606	234,202	24,046
Subscription Asset - Software	1,338,020	662,706	1,933,499	67,227
	<b>1,897,211</b>	<b>717,133</b>	<b>2,167,701</b>	<b>446,643</b>
<b>Total Net Capital Assets</b>	<b>638,269</b>	<b>999,452</b>	<b>—</b>	<b>1,637,721</b>

Depreciation/amortization expense of \$717,133 was charged to SWAN.

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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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 December 2024 and ending in August 2032 with monthly payments of \$4,176 to \$6,007, including interest of .417%. The total right to use office space acquired under this agreement is \$379,635.

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 renewed a 36 month subscription for the use of EBSCO Discovery Service beginning July 1, 2025 and ending June 30, 2027. An initial subscription liability was recorded in the amount of \$593,807. As of year-end, the value of the subscription liability is \$996,456. SWAN is required to make annual fixed payments of \$203,523. The subscription has an interest rate of 2.850%. The value of the right to use asset as of year-end of \$593,807 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	Restated Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Compensated Absences	\$ 366,760	—	27,095	339,665	67,933
Leases Payable	35,467	316,030	35,467	316,030	36,488
Subscriptions Payable	230,630	1,400,555	634,729	996,456	203,523
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	632,857	1,716,585	697,291	1,652,151	307,944

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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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
2026	\$ 36,488	13,626	203,523	—
2027	38,382	13,105	595,049	12,573
2028	41,751	11,110	197,884	5,640
2029	45,292	8,942	—	—
2030	49,014	6,593	—	—
2031	52,926	4,053	—	—
2032	52,177	1,313	—	—
Totals	<u>316,030</u>	<u>58,742</u>	<u>996,456</u>	<u>18,213</u>

#### NET INVESTMENT IN CAPITAL ASSETS

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

Capital Assets - Net of Accumulated Depreciation	\$ 1,637,721
Less Capital Related Debt:	
Leases Payable	(316,030)
Subscriptions Payable	<u>(996,456)</u>
Net Investment in Capital Assets	<u>325,235</u>

# SYSTEM WIDE AUTOMATED NETWORK

## Notes to the Financial Statements

June 30, 2025

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

#### REPORTING UNITS AFFECTED BY ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

*Change in Accounting Principle.* SWAN is implementing the provisions of GASB Statement 101, *Compensated Absences*, in the financial statements of the current fiscal year. SWAN provides two forms of employee leave (vacation and sick), but has previously only accrued vacation leave. Sick leave is earned each month and carries over without limits at the end of the fiscal year. Because unused sick leave is not paid upon termination, however, SWAN did not accrue a liability in previous years. Under Statement 101, accumulated sick leave meets the first two criteria (attributable to past service and accumulates). SWAN therefore examined its past experience with accumulated sick leave and estimated the amount of accumulated leave that was more likely than not to be used by employees. This estimate is now to be reported as a liability in the government-wide and enterprise fund financial statements. The portion of this liability that existed at the beginning of the current year (or the earliest year presented in comparative statements) is recognized as a decrease in beginning net position resulting from adoption of a new accounting standard.

	Business-Type Activities
Beginning Net Position as Previously Reported	\$ 2,860,869
Change in Accounting Principle Compensated Absences	<u>(243,833)</u>
Beginning Net Position as Restated	<u>2,617,036</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, 2025

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### NOTE 4 - OTHER INFORMATION - 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

RAILS provides a funding grant for designated Local Library System Automation Programs of which SWAN is applicable to apply, and was awarded for fiscal year 2025. The services in the fiscal year 2025 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 2026. 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, 2025, was \$147,105.

#### OTHER POST-EMPLOYMENT BENEFITS

SWAN has evaluated its potential other post employment 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, 2025.

## **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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Operating Revenues</b>				
Fees for Services and Materials	\$ 3,366,802	3,366,802	3,177,104	(189,698)
RAILS Support Grant	500,616	500,616	500,616	—
Reimbursements	50,000	50,000	44,985	(5,015)
Other	93,000	93,000	47,811	(45,189)
<b>Total Operating Revenues</b>	<b>4,010,418</b>	<b>4,010,418</b>	<b>3,770,516</b>	<b>(239,902)</b>
<b>Operating Expenses</b>				
Personnel	2,023,155	2,023,155	1,914,980	108,175
Library Materials and Supplies	933,700	933,700	326,804	606,896
Building and Grounds	97,410	97,410	32,344	65,066
Conferences, Training, and Travel	25,450	25,450	22,670	2,780
Professional and Contractual Services	752,435	752,435	563,514	188,921
Equipment and Software Maintenance	163,800	163,800	172,611	(8,811)
Miscellaneous	95,474	95,474	90,033	5,441
Depreciation and Amortization	2,322	2,322	717,133	(714,811)
<b>Total Operating Expenses</b>	<b>4,093,746</b>	<b>4,093,746</b>	<b>3,840,089</b>	<b>253,657</b>
<b>Operating Income (Loss)</b>	<b>(83,328)</b>	<b>(83,328)</b>	<b>(69,573)</b>	<b>13,755</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	83,328	83,328	102,042	18,714
Disposal of Capital Assets	—	—	(28,574)	(28,574)
Interest Expense	—	—	(1,554)	(1,554)
<b>Nonoperating Revenues (Expenses)</b>	<b>83,328</b>	<b>83,328</b>	<b>71,914</b>	<b>(11,414)</b>
<b>Change in Net Position</b>	<b>—</b>	<b>—</b>	<b>2,341</b>	<b>2,341</b>
<b>Net Position - Beginning as Previously Reported</b>			2,860,869	
<b>Restatement - Change in Accounting Principle</b>			(243,833)	
<b>Net Position - Beginning as Restated</b>			<b>2,617,036</b>	
<b>Net Position - Ending</b>			<b>2,619,377</b>	

## SYSTEM WIDE AUTOMATED NETWORK

### Schedule of Operating Expenses - Budget and Actual For the Fiscal Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Administration</b>				
Personnel				
Salaries and Wages	\$ 1,577,736	1,577,736	1,473,643	104,093
Payroll Taxes and Benefits:				
Health, Dental, Life, and Disability Insurance	174,800	174,800	183,459	(8,659)
Retirement Benefits and Administration	143,700	143,700	147,105	(3,405)
Other Fringe Benefits	1,500	1,500	460	1,040
Social Security Taxes	120,700	120,700	110,313	10,387
Worker's Compensation	4,719	4,719	—	4,719
	<b>2,023,155</b>	<b>2,023,155</b>	<b>1,914,980</b>	<b>108,175</b>
<b>Library Materials and Supplies</b>				
Computers, Software, and Supplies	921,000	921,000	322,520	598,480
General Office Supplies and Equipment	2,200	2,200	2,397	(197)
Postage	500	500	727	(227)
Marketing and Promotional Materials	—	—	1,160	(1,160)
Furniture	10,000	10,000	—	10,000
	<b>933,700</b>	<b>933,700</b>	<b>326,804</b>	<b>606,896</b>
<b>Building and Grounds</b>				
Rent	88,000	88,000	15,115	72,885
Utilities	4,300	4,300	5,107	(807)
Property Insurance	650	650	642	8
Repairs and Maintenance	960	960	1,860	(900)
Custodial Service and Supplies	3,500	3,500	9,620	(6,120)
	<b>97,410</b>	<b>97,410</b>	<b>32,344</b>	<b>65,066</b>
<b>Conferences, Training, and Travel</b>				
Conferences and Training	9,400	9,400	7,596	1,804
Professional Development	15,250	15,250	14,095	1,155
Travel	800	800	979	(179)
	<b>25,450</b>	<b>25,450</b>	<b>22,670</b>	<b>2,780</b>
<b>Professional and Contractual Services</b>				
Accounting	19,160	19,160	23,020	(3,860)
Consulting	5,000	5,000	10,840	(5,840)

## SYSTEM WIDE AUTOMATED NETWORK

### Schedule of Operating Expenses - Budget and Actual - Continued For the Fiscal Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Group Purchases	491,375	491,375	296,105	195,270
Administration - Continued				
Professional and Contractual Services - Continued				
Information Services	\$ 109,400	109,400	106,811	2,589
Legal	1,500	1,500	118	1,382
Liability Insurance	11,400	11,400	13,682	(2,282)
Other Contractual Services	13,400	13,400	16,609	(3,209)
Telephone and Telecommunications	14,500	14,500	10,160	4,340
Notification and Collection	86,700	86,700	86,169	531
	752,435	752,435	563,514	188,921
Equipment and Software Maintenance	163,800	163,800	172,611	(8,811)
Miscellaneous				
eCommerce	43,000	43,000	36,711	6,289
Other	50	50	40	10
Bank Fees	2,424	2,424	5,544	(3,120)
Reimburse Resource Sharing	50,000	50,000	47,738	2,262
	95,474	95,474	90,033	5,441
Total Administration	4,091,424	4,091,424	3,122,956	968,468
Depreciation	2,322	2,322	1,821	501
Amortization	—	—	715,312	(715,312)
Total Depreciation and Amortization	2,322	2,322	717,133	(714,811)
Total Operating Expenses	4,093,746	4,093,746	3,840,089	253,657