



998 Corporate Boulevard • Aurora, IL 60502

October 21, 2011

Members of the Administrators' Council
System Wide Automated Network

Ladies and Gentlemen:

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the System Wide Automated Network (SWAN) for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SWAN are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2011. We noted no transactions entered into by the SWAN during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We noted no particularly sensitive estimates made by management during our audit of the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We noted no particularly sensitive financial statement disclosures made by management during our audit of the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SWAN's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Administrators' Council and management of SWAN and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesies extended to us by SWAN and those associated with it during our audit for this year. If you have any questions regarding the purpose of this letter or the requirement mentioned, please give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Sikich LLP" followed by a stylized flourish.

Sikich LLP

By: Daniel A. Berg, CPA
Partner

SWAN

G. 5.1. A

Year End: June 30, 2011

Adjusting Journal Entries

Date: 7/1/2010 To 6/30/2011

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence
1	6/30/2011	FUND BALANCE	0400003700 CF-04				
1	6/30/2011	AP to MLS	0400012900 CF-04			30,545.68	
1	6/30/2011	POSTAGE	0440025450 CF-04		30,545.68		
To record postage expense at 6/30/2011.							
2	6/30/2011	ACCOUNTS RECEIVABLE	0400001130 CF-04			3,505.22	
2	6/30/2011	ACCOUNTS RECEIVABLE	0400001130 CF-04			40,235.62	
2	6/30/2011	DUE TO/FROM GENERAL	0400011999 CF-04		50,219.21		
2	6/30/2011	AP to MLS	0400012900 CF-04			50,219.21	
2	6/30/2011	AP to MLS	0400012900 CF-04				
2	6/30/2011	AP to MLS	0400012900 CF-04				
2	6/30/2011	AP to MLS	0400012900 CF-04				
2	6/30/2011	AP to MLS	0400012900 CF-04			1,542.10	
2	6/30/2011	AP to MLS	0400012900 CF-04		3,505.22		
2	6/30/2011	AP to MLS	0400012900 CF-04		40,235.62		
2	6/30/2011	MISCELLANEOUS	0440025612 CF-04		1,542.10		
2	6/30/2011	SALARIES PROFESSIONAL OTHER	0441025111 CF-04				
PBC - To adjust accounts receivable and payable at 6/30/2011.							
3	6/30/2011	ACCOUNTS PAYABLE	0400002250 CF-04		59,412.91		
3	6/30/2011	ACCOUNTS PAYABLE	0400002250 CF-04			12,620.78	
3	6/30/2011	TRAVEL IN STATE	0440025351 CF-04		57.20		
3	6/30/2011	TRAVEL IN STATE	0440025351 CF-04			15.00	
3	6/30/2011	REGISTRATION & FEES	0440025353 CF-04		2,400.00		
3	6/30/2011	TELECOMMUNICATIONS	0440025551 CF-04			169.49	
3	6/30/2011	LEGAL FEES	0440025572 CF-04		14.25		
3	6/30/2011	LEGAL FEES	0440025572 CF-04			1,425.00	
3	6/30/2011	CONSULTING	0440025576 CF-04			34,313.62	
3	6/30/2011	SPECIAL SERVICES	0440025589 CF-04			117.32	
3	6/30/2011	SPECIAL SERVICES	0440025589 CF-04			70.43	
3	6/30/2011	MISCELLANEOUS	0440025612 CF-04			75.95	
3	6/30/2011	EQUIP/SFT PURCH'D LIB - OTHERS	0440025624 CF-04		9,920.96		
3	6/30/2011	EQUIP/SFT PURCH'D LIB - OTHERS	0440025624 CF-04			5,504.02	
3	6/30/2011	CONSULTING	0441025576 CF-04			16,450.56	
3	6/30/2011	CONSULTING	0441025576 CF-04			1,271.52	
3	6/30/2011	MISCELLANEOUS	0442035612 CF-04		228.37		
To reverse PY accounts payable and to record accounts payable at 6/30/2011.							
4	6/30/2011	INVESTMENT IN FIXED ASSETS	0400001500 CF-04			39,395.00	
4	6/30/2011	ACCUMULATED DEPRECIATION	0400001600 CF-04		39,395.00		
To record fixed asset deletions.							
5	6/30/2011	SPARES INVENTORY	0400001150 CF-04			6,382.00	
5	6/30/2011	MISCELLANEOUS	0440025612 CF-04		6,382.00		
To write off old inventory.							
					243,858.52	243,858.52	
Net Income (Loss)			149,589.91				

**SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS**

ANNUAL FINANCIAL REPORT

**For the Nine Months Ended
June 30, 2011**



Certified Public Accountants & Advisors

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Basic Financial Statements	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows.....	4
Notes to Financial Statements	5-9
SUPPLEMENTAL DATA	
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual.....	10
Schedule of Expenses - Budget and Actual	11-12



998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

Administrators' Council
System Wide Automated Network
Burr Ridge, Illinois

We have audited the basic financial statements of the System Wide Automated Network, as of and for the nine months ended June 30, 2011, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the System Wide Automated Network's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the System Wide Automated Network, as of June 30, 2011, and the respective changes in financial position for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

The System Wide Automated Network has not presented a Management's Discussion and Analysis as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic 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 of the System Wide Automated Network. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Aurora, Illinois
October 21, 2011

A handwritten signature in cursive script, appearing to read 'Sikich LLP'.

BASIC FINANCIAL STATEMENTS

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Nine Months Ended June 30, 2011

OPERATING REVENUES	
Intergovernmental	
Fees for services and materials	\$ 294,067
Reimbursements	869,641
Miscellaneous	<u>340,211</u>
Total operating revenues	<u>1,503,919</u>
OPERATING EXPENSES	
Administration	
Personnel	659,940
Library materials, supplies, and miscellaneous	34,888
Building and equipment management	152,073
Travel and registration	5,929
Professional and contractual services	282,520
Telecommunications	2,646
Depreciation	40,685
Computers	153,577
Miscellaneous	<u>24,509</u>
Total operating expenses	<u>1,356,767</u>
OPERATING INCOME	147,152
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>2,438</u>
CHANGES IN NET ASSETS	<u>149,590</u>
NET ASSETS, OCTOBER 1	1,453,705
RESTATEMENT	<u>30,546</u>
NET ASSETS, OCTOBER 1, RESTATED	<u>1,484,251</u>
NET ASSETS, JUNE 30	<u>\$ 1,633,841</u>

See accompanying notes to financial statements.

SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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.

The SWAN organization incorporated as an independent organization in 2010. SWAN is governed by the Administrators' Council (the Council), 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.

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)

e. Investments

Investments are stated at fair value.

f. Accounts Receivable

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

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

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

4. PENSION BENEFITS/OTHER POSTEMPLOYMENT BENEFITS

As of October 1, 2011, SWAN separated from the Metropolitan Library System (MLS) and became its own legal entity. MLS and four other State of Illinois Library Systems in the northern half of the State of Illinois formed a new organization, Reaching Across Illinois Library System (RAILS). The purpose of RAILS is to connect the network of libraries together to provide accessible library resources to the citizens of northern Illinois in a cost effective manner.

SWAN's former relationship with MLS continues with RAILS. As a result, the employees of RAILS are contracted by SWAN to provide services for SWAN and its members. Under the contract SWAN is billed monthly by RAILS for these personnel services. Therefore, SWAN has no employees, no other postemployment benefits, no retirement plan, no accrued payroll, and no compensated absences.

5. RESTATEMENT

Net assets were understated by \$30,546 by transfer of assets upon dissolution from the Metropolitan Library System due to an expense that was incorrectly charged at September 30, 2010.

SUPPLEMENTAL DATA

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SYSTEM WIDE AUTOMATED NETWORK
BURR RIDGE, ILLINOIS

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (Continued)

For the Nine Months Ended June 30, 2011

	Original and Final Budget	Actual
PROFESSIONAL AND CONTRACTUAL SERVICES		
Audit	\$ 2,950	\$ -
Legal	1,000	2,019
Consulting	217,928	98,799
Centralized data processing	186,003	181,430
Outside printing	-	121
Membership dues	150	-
Other contractual	2,000	151
Total professional and contractual services	410,031	282,520
TELEPHONE AND TELECOMMUNICATIONS	30,800	2,646
DEPRECIATION	87,500	40,685
CAPITAL OUTLAY		
Computers	109,700	153,577
MISCELLANEOUS	7,200	24,509
TOTAL EXPENSES	\$ 1,995,122	\$ 1,356,767

(See independent auditor's report.)