

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, 2021. 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

Audit report page 3

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 2021's conclusion, the following:

- As a result of current year operations, net position increased by \$201, 914, which brings SWAN's total net position to \$2,262,362 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 \$2,241,167
- The net position comparison from fiscal year 2020 with 2021 reflects a change in SWAN's budget chart of accounts for 2021, so some expense categories reflect that change (Equipment and software maintenance, for example)

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

Audit report pages 4-6

SWAN's net position for fiscal year 2021 is detailed and compared with the previous fiscal year. As noted earlier, SWAN's chart of accounts was modified in FY2021, so comparative details are best examined at the totals for each

SWAN's Net Position	30-Jun-21	30-Jun-20	Positive (Negative) Variance
Total assets	\$2,552,256	\$2,427,766	\$124,490
Total liabilities	\$289,894	\$367,318	(\$77,424)
Total net position	\$2,262,362	\$2,060,448	\$201,914

Change in Net Position	30-Jun-21	30-Jun-20	Positive (Negative) Variance
Total revenues	\$3,949,002	\$3,310,081	\$638,921
Total expenses	\$3,747,088	\$3,138,801	\$608,287
Change in net position	\$201,914	\$171,280	\$30,634
Net position – beginning	\$2,060,448	\$1,889,168	\$171,280
Net position – ending	\$2,262,362	\$2,060,448	\$201,914

Government-Wide Financial Statements

Audit report pages 8 – 10

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

Audit report pages 11 - 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 2021 depreciated by \$3,607.

Long-term liabilities

Long-term liabilities for SWAN include accrued compensated absences, i.e., vacation pay.

Commitments

SWAN's grant awarded by RAILS, its SirsiDynix contract, EBSCO three-year agreement, and non-cancelable lease for office space are detailed.

Other Supplementary Information (pages 20-21)

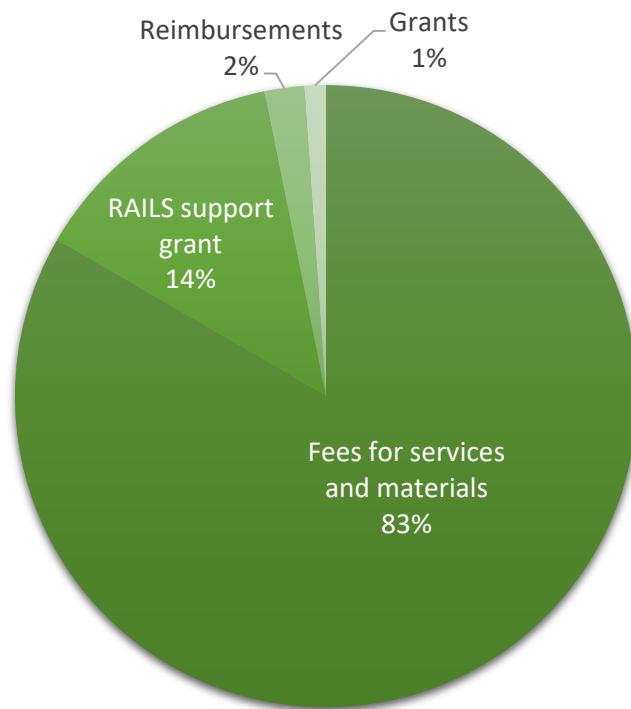
SWAN's budget and actual operating revenue and expenses are detailed in the schedule.

SWAN Financial Outlook

SWAN relies on wide base of funding through assessment of membership fees, which comprises 83% of its revenue. RAILS LLSAP funding grant was awarded at \$562,018 for fiscal year 2021.

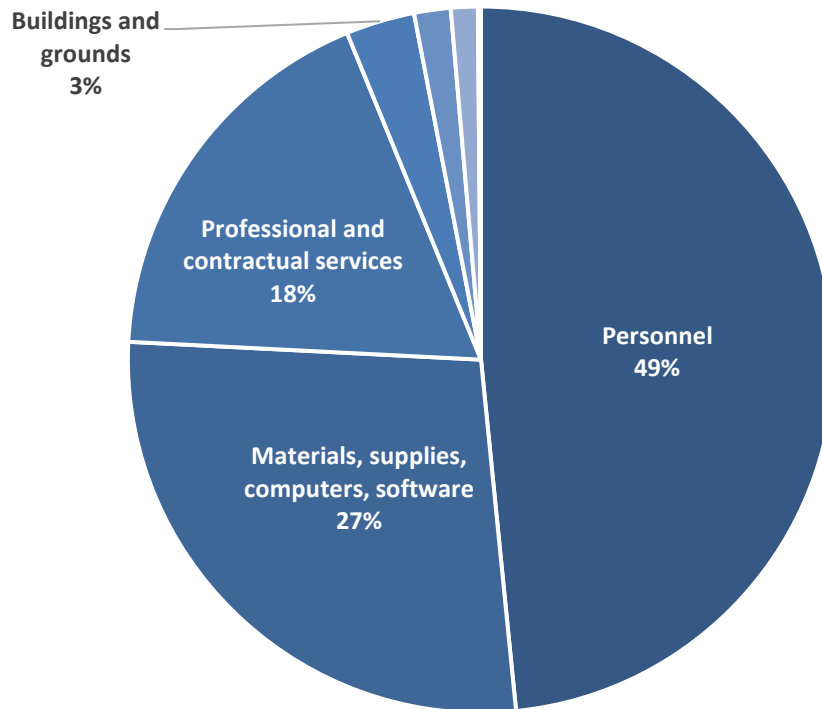
Operating expenses ended the year under budget at \$284,873.

**Operating revenue net position for the year ended June
30, 2021**



Operating revenues	Actual	Budget	Positive (Negative) Variance with Final Budget
Fees for services and materials	\$3,261,214	\$3,287,257	\$26,043
RAILS support grant	\$526,018	\$562,017	\$35,999
Reimbursements	\$80,939	\$62,379	(\$18,560)
Grants	\$43,762	\$61,500	\$17,738
Total operating revenues	\$3,947,933	\$3,973,154	\$25,221

Operating expenses net position for the year ended June 30, 2021



Operations	Actual	Budget	Positive (Negative) Variance with Final Budget
Personnel	\$1,814,147	\$2,073,000	\$258,853
Materials, supplies, computers, software	\$1,026,395	\$1,012,600	(\$13,795)
Professional and contractual services	\$674,492	\$672,010	(\$2,482)
Buildings and grounds	\$118,024	\$123,304	\$5,280
Equipment and software maintenance expense	\$62,712	\$100,800	\$38,088
Miscellaneous (bank fees, reimbursement expenses, etc.)	\$46,027	\$3,740	(\$42,287)
Depreciation	\$3,607	\$3,607	\$0
Conferences, training and travel	\$1,684	\$42,900	\$41,216
Total operating expenses	\$3,747,088	\$4,031,961	\$284,873

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, 800 Quail Ridge Drive, Westmont, IL 60559 Phone: 630-326-7022; email: aaron@swalibraries.net



SWAN
LIBRARY SERVICES

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

System Wide Automated Network

Annual Financial Report

For the Year Ended June 30, 2021

Administrative Offices

800 Quail Ridge Drive
Westmont, IL 60559

**System Wide Automated Network
Annual Financial Report
For the Year Ended June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Selden Fox

Accounting for your future

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INDEPENDENT AUDITOR'S REPORT

Executive Board
System Wide Automated Network
Westmont, Illinois

We have audited the accompanying financial statements of **System Wide Automated Network (SWAN)** as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of System Wide Automated Network as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SWAN's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary 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. Such 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.

Selden Fox, Ltd.

December 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**System Wide Automated Network
Management's Discussion and Analysis
June 30, 2021**

This discussion and analysis of System Wide Automated Network's (SWAN's) financial performance provides an overview of its financial activities for the year ended June 30, 2021. Please read it in conjunction with our financial statements, which begin on page 8.

GENERAL INFORMATION

SWAN is an organization of member libraries participating in a Library Services Platform (LSP) with the mission to improve services for Member Libraries by sharing resources, technology and a planned process of individual and collective growth. SWAN's vision is that SWAN will set the standard of excellence as a library technology consortium. SWAN works to focus consortium resources on shared strategic initiatives while building upon a tradition of excellence and dedicated service.

SWAN is governed by an Executive Board established with the seven voting members consisting of a representative from seven libraries within SWAN's network. Each voting member of the Executive Board is entitled one vote.

SWAN serves various libraries within the Chicagoland area. SWAN currently serves 100 libraries, with hopes of adding more.

FINANCIAL HIGHLIGHTS

- SWAN's assets and deferred outflows exceed its liabilities and deferred inflows by \$2,262,362 as of June 30, 2021.
- As a result of current year operations, net position increased by \$201,914.
- Total liabilities of \$289,894 include accounts payable, accruals for payroll, compensated absences, and unearned revenues.

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 – Budget and Actual* (pages 8-9) provide information about the activities of SWAN as a whole and present a longer-term view of its finances. The *Statement of Cash Flows* (pages 10) shows the cash generated and used in operating and capital-related financing activities.

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 the agency is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual* 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 (e.g., earned but unused vacation leave).

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 financial statements. The notes to the financial statements can be found on pages 11-19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a schedule of operating expenses – budget and actual (pages 20-21).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of SWAN, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,262,362 at June 30, 2021 (\$2,060,448 at June 30, 2020). At the end of the year, \$2,241,167 of net position represents unrestricted net position and may be used to meet SWAN's ongoing obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont'd)

	Net Position	
	<u>6/30/2021</u>	<u>6/30/2020</u>
Current and other assets	\$ 2,507,594	\$ 2,375,631
Capital assets - net	21,195	24,802
Other assets – deposits	<u>23,467</u>	<u>27,333</u>
Total assets	<u>2,552,256</u>	<u>2,427,766</u>
Accounts payable	3,403	26,490
Accrued payroll	40,907	40,311
Unearned revenues	97,736	152,544
Accrued rent	39,788	46,247
Compensated absences payable	<u>108,060</u>	<u>101,726</u>
Total liabilities	<u>289,894</u>	<u>367,318</u>
Net position:		
Net investment in capital assets	21,195	24,802
Unrestricted	<u>2,241,167</u>	<u>2,035,646</u>
Total net position	<u>\$ 2,262,362</u>	<u>\$ 2,060,448</u>
	Changes in Net Position	
	<u>6/30/2021</u>	<u>6/30/2020</u>
Revenues:		
Charges to members for services	\$ 3,261,214	\$ 2,740,120
Operating grants	605,780	524,679
Reimbursements	80,939	22,178
Investment income	<u>1,069</u>	<u>23,104</u>
Total revenues	<u>3,949,002</u>	<u>3,310,081</u>
Expenses:		
Personnel	1,814,147	1,803,615
Equipment and software maintenance	62,712	658,161
Library materials and supplies	1,026,395	67,078
Buildings and grounds	118,024	122,266
Conferences, travel and training	1,684	27,058
Professional and contractual services	674,492	428,755
Miscellaneous	46,027	221
Depreciation	<u>3,607</u>	<u>31,647</u>
Total expenses	<u>3,747,088</u>	<u>3,138,801</u>
Change in net position	201,914	171,280
Net position – beginning	<u>2,060,448</u>	<u>1,889,168</u>
Net position – ending	<u>\$ 2,262,362</u>	<u>\$ 2,060,448</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont'd)

Net position increased by \$201,914 in the fiscal year ended June 30, 2021 (\$171,280 in the fiscal year ended June 30, 2020). Charges to members for services increased by \$521,094 (19.0%) in fiscal year ended June 30, 2021. Operating expenses for the current year of \$3,747,088 increased by \$608,287 (19.4%). The majority of the increase in both are due primarily to an electronic resources group purchase agreement with EBSCO, rather than SWAN members contracting with EBSCO individually. This arrangement resulted in additional expense to SWAN, passed through to its members of approximately \$420,000. If priced and contracted individually to all members, the combined cost would have approximated \$837,000.

BUDGETARY HIGHLIGHTS

Actual operating revenues of \$3,947,933 were \$25,221 lower than the final budgeted revenues of \$3,973,154.

Actual expenditures on a budgetary basis of \$3,747,088 were \$284,873 less than the final budgeted expenditures of \$4,031,961. The primary source of savings versus budget was within personnel services. There were new positions budgeted within regular salaries that were not filled.

DEBT ADMINISTRATION

SWAN had no long-term debt outstanding at June 30, 2021, or 2020.

CAPITAL ASSETS

SWAN's net investment in capital assets as of June 30, 2021, was \$21,195 (\$24,802 at June 30, 2020). This investment in capital assets includes leasehold improvements, computer equipment, and machinery and equipment.

	Capital Assets – Net of Depreciation	
	6/30/2021	6/30/2020
Leasehold improvements	\$ 2,945	\$ 3,807
Computer equipment	-	1,285
Machinery and equipment	18,250	19,710
	\$ 21,195	\$ 24,802

Additional information on SWAN's capital assets can be found in Note III.B on page 16 of this report.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of SWAN's finances, compliance with finance related laws and regulations, and demonstrate SWAN's commitment to public accountability. Questions about this report or requests for additional information should be sent to:

Executive Director
System Wide Automated Network
800 Quail Ridge Drive
Westmont, Illinois 60559

BASIC FINANCIAL STATEMENTS

**System Wide Automated Network
Statement of Net Position
June 30, 2021**

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,855,028
Accounts receivable, net of allowance	22,673
Inventory	1,733
Prepaid expenses	628,160
Total current assets	2,507,594
Noncurrent assets:	
Capital assets	367,779
Accumulated depreciation	(346,584)
Total net capital assets	21,195
Other assets - deposits	23,467
Total noncurrent assets	44,662
Total assets	2,552,256
Liabilities	
Current liabilities:	
Accounts payable	3,403
Accrued payroll	40,907
Unearned revenues	97,736
Accrued rent	8,758
Compensated absences payable	21,612
Total current liabilities	172,416
Noncurrent liabilities:	
Accrued rent	31,030
Compensated absences payable	86,448
Total noncurrent liabilities	117,478
Total liabilities	289,894
Net Position	
Net position:	
Net investment in capital assets	21,195
Unrestricted	2,241,167
Total net position	\$ 2,262,362

See accompanying notes.

**System Wide Automated Network
Statement of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) Variance With Final Budget
Operating revenues:				
Fees for services and materials	\$ 3,287,257	\$ 3,287,257	\$ 3,261,214	\$ (26,043)
RAILS support grant	562,018	562,018	562,018	-
Grants	61,500	61,500	43,762	(17,738)
Reimbursements	62,379	62,379	80,939	18,560
Total operating revenues	<u>3,973,154</u>	<u>3,973,154</u>	<u>3,947,933</u>	<u>(25,221)</u>
Operating expenses:				
Administration	4,031,961	4,031,961	3,747,088	284,873
Operating income (loss)	(58,807)	(58,807)	200,845	259,652
Nonoperating revenues:				
Investment income	37,000	37,000	1,069	(35,931)
Change in net position	<u>\$ (21,807)</u>	<u>\$ (21,807)</u>	<u>201,914</u>	<u>\$ 223,721</u>
Net position, beginning of the year			<u>2,060,448</u>	
Net position, end of the year			<u>\$ 2,262,362</u>	

See accompanying notes.

**System Wide Automated Network
Statement of Cash Flows
For the Year Ended June 30, 2021**

Cash flows from operating activities:	
Received from customers and users	\$ 3,258,939
Grant receipts	605,780
Other receipts	80,939
Payments to suppliers	(2,125,720)
Payments to employees	(1,807,217)
	12,721
Net cash flows from operating activities	
Cash flows from investing activities - interest received	1,069
Net change in cash and cash equivalents	
	13,790
Cash and cash equivalents, beginning of the year	1,841,238
Cash and equivalents, end of the year	\$ 1,855,028
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 200,845
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	3,607
Changes in:	
Receivables	52,534
Prepaid expenses	(170,706)
Deposits	3,866
Accounts payable	(23,087)
Accrued payroll	596
Unearned revenue	(54,809)
Accrued rent	(6,459)
Compensated absences payable	6,334
	12,721
Net cash from operating activities	
	\$ 12,721

See accompanying notes.

System Wide Automated Network Notes to the Financial Statements

I. Summary of Significant Accounting Policies

The financial statements of System Wide Automated Network (SWAN) have been prepared in conformity with generally accepted accounting principles (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. The more significant of SWAN's accounting policies are described below.

A. The Reporting Entity

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 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.

As defined by GAAP established by 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. Basis of Presentation

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

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. Funds are classified into the following categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." SWAN utilizes only the proprietary fund type.

**System Wide Automated Network
Notes to the Financial Statements (cont'd)**

I. Summary of Significant Accounting Policies (cont'd)

B. Basis of Presentation (cont'd)

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 members or outside parties and are accounted for as enterprise funds.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

On the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, SWAN's activities are presented using the economic resources measurement focus as defined below. All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are on the determination of operating income, changes in net position (or cost recovery), 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.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, SWAN's activities 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. SWAN's principal operating revenues are the charges to customers for services and materials and grants awarded. SWAN's operating expenses for enterprise funds and internal service funds include the cost of providing these services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents on the Statement of Net Position and the Statement of Cash Flows are to be considered to be cash on hand and demand deposits.

**System Wide Automated Network
Notes to the Financial Statements (cont'd)**

I. Summary of Significant Accounting Policies (cont'd)

D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)

2. Receivables and Prepaid Expenses

In the Statement of Net Position, receivables, if any, consist of all revenues earned at year-end and not yet received.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The costs of prepaid expenses are recorded as expenses when consumed rather than when purchased.

3. Capital Assets

Capital assets purchased or acquired with an original, individual cost of \$5,000 or more are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of capital assets in the proprietary fund types is computed using the straight-line method.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	8 years
Computer Equipment	5 years
Machinery and equipment	25 years

4. Compensated Absences

SWAN accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. All vacation pay is accrued when incurred in the financial statements. SWAN records a liability for employees' vacation leave earned, but not taken at salary rates in effect at the end of the fiscal year. A portion of this liability will be paid within the next fiscal year.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

System Wide Automated Network
Notes to the Financial Statements (cont'd)

I. **Summary of Significant Accounting Policies (cont'd)**

D. **Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)**

5. **Net Position**

Net position is displayed in two components as follows:

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, if any, that are attributable to the acquisition or improvement of those assets.

Unrestricted – The remaining amount of net position.

II. **Stewardship, Compliance and Accountability**

Budgetary Accounting – 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 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 not amended in fiscal year 2021.

III. **Detailed Notes for All Activities and Fund Types**

A. **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, Illinois Funds and the Illinois Metropolitan Investment Fund.

Deposits – At year-end, the carrying amount of SWAN's deposits totaled \$1,855,028 and the bank balances totaled \$1,857,868.

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. SWAN held no investments at June 30, 2021, and therefore, they are not subject to interest rate risk.

System Wide Automated Network
Notes to the Financial Statements (cont'd)

III. Detailed Notes for All Activities and Fund Types (cont'd)

A. Deposits and Investments (cont'd)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 – In the case of deposits, this is the risk that in the event of bank failure, SWAN's deposits may not be returned to it. Per SWAN's investment policy, deposits are insured or collateralized with securities held by the pledging institutions. At year end, the bank balances of SWAN were fully covered by collateral held in the SWAN's name or by federal depository insurance.

Concentration of Credit Risk – This 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 (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

**System Wide Automated Network
Notes to the Financial Statements (cont'd)**

III. Detailed Notes for All Activities and Fund Types (cont'd)

B. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance, July,1 2020	Additions	Retirements/ Adjustments	Balance, June 30, 2021
Capital assets, being depreciated:				
Leasehold improvements	\$ 6,895	\$ -	\$ -	\$ 6,895
Computer equipment	324,383	-	-	324,383
Machinery and equipment	36,501	-	-	36,501
Total capital assets	367,779	-	-	367,779
Less accumulated depreciation for:				
Leasehold improvements	3,087	862	-	3,949
Computer equipment	323,098	1,285	-	324,383
Machinery and equipment	16,792	1,460	-	18,252
Total accumulated depreciation	342,977	3,607	-	346,584
Total net depreciable capital assets	\$ 24,802	\$ (3,607)	\$ -	\$ 21,195

Depreciation expense for the year was \$3,607.

C. Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance, July 1, 2020	Additions	Deletions	Balance, June 30, 2021
Accrued rent	\$ 46,247	\$ -	\$ 6,459	\$ 39,788
Accrued compensated absences	101,726	67,358	61,024	108,060
	\$ 147,973	\$ 67,358	\$ 67,483	\$ 147,848

System Wide Automated Network
Notes to the Financial Statements (cont'd)

IV. Other Information

A. 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. These risks are provided for through commercial insurance policies purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. 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 2021 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 \$522,691 during fiscal year 2022. 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.

In April of 2020, SWAN extended its contractual agreement with SirsiDynix for ILS software for an additional five years beginning May 1, 2020. This contract set the annual maintenance paid at \$488,744 for the first three years and capped increases at 1.9% for years four and five. This contract also set costs for new member libraries that join SWAN within the five year agreement. The addition of new products and services will result in additional expenses related to the contract, and the contract is cancellable beginning May 1, 2021.

System Wide Automated Network
Notes to the Financial Statements (cont'd)

IV. **Other Information** (cont'd)

B. **Commitments** (cont'd)

The remaining payment schedule, per the contract, is as follows:

Projected due date May 2022	\$ 488,744
Projected due date May 2023	498,030
Projected due date May 2024	<u>507,493</u>
	<u>\$ 1,494,267</u>

During fiscal year 2021, SWAN completed the second year of a three year agreement with EBSCO Information Services for three software product subscriptions – OpenAthens, Novelist Select, and the EBSCO Discovery Services with Sirsi Dynix Integration. The remaining payment per the contract is \$219,650, with a due date of July 2021.

SWAN entered into a seven-year, non-cancelable operating lease for office space beginning in March 2017. Minimum future payments under the lease agreement are as follows:

2022	\$ 78,913
2023	81,281
2024	83,719
2025	<u>35,574</u>
	<u>\$ 279,487</u>

In addition to the minimum rental payments, SWAN is required to pay its pro-rata share of real estate taxes, insurance, and operating expenses.

The lease calls for specified rent increases in future years. The lessors allowed SWAN to take occupancy of the premises for three months before the lease began and additionally abated the first six months of rent at the start of the lease. Total rent expense is being recorded on a straight-line basis over the term of the lease.

Rent expense for the year ended June 30, 2021, is as follows:

Payments:	
Minimum rentals	\$ 76,615
Contingent rentals	34,861
Change in accrued rent	<u>(6,459)</u>
Total	<u>\$ 105,017</u>

System Wide Automated Network
Notes to the Financial Statements (cont'd)

IV. **Other Information** (cont'd)

C. **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. SWAN's contribution for fiscal year ended June 30, 2021, was \$121,168.

Additionally, SWAN allows employees to contribute to Individual Retirement Accounts (IRA's), 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 Administrators' Board are responsible for establishing and amending the plan provisions.

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. However, there is minimal participation. As SWAN provides no explicit benefit, and there is minimal participation, there is no material implicit subsidy to calculate in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Therefore, SWAN has not recorded a liability as of June 30, 2021.

OTHER SUPPLEMENTARY INFORMATION

**System Wide Automated Network
Schedule of Operating Expenses - Budget and Actual
For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Positive (Negative) Variance With Final Budget
Operations:				
Personnel:				
Salaries and wages	\$ 1,556,800	\$ 1,556,800	\$ 1,392,030	\$ 164,770
Payroll, taxes and benefits:				
Health, dental, life and disability insurance	246,300	246,300	207,717	38,583
Retirement benefits and administration	140,900	140,900	121,168	19,732
Other fringe benefits	7,600	7,600	149	7,451
Social Security taxes	118,400	118,400	89,100	29,300
Workers compensation	3,000	3,000	3,983	(983)
Total personnel	2,073,000	2,073,000	1,814,147	258,853
Equipment and software maintenance expense	100,800	100,800	62,712	38,088
Library materials and supplies:				
Computers, software & supplies	1,001,500	1,001,500	1,017,175	(15,675)
General office supplies & equip	4,000	4,000	1,134	2,866
Postage	900	900	469	431
Print materials	5,000	5,000	5,001	(1)
Marketing & promotional materials	1,200	1,200	2,616	(1,416)
Total library materials and supplies	1,012,600	1,012,600	1,026,395	(13,795)
Buildings and grounds:				
Rent	105,904	105,904	105,017	887
Utilities	6,400	6,400	7,213	(813)
Property insurance	1,500	1,500	1,640	(140)
Repairs and maintenance	1,300	1,300	1,359	(59)
Custodial service and supplies	8,100	8,100	2,795	5,305
Other building maintenance	100	100	-	100
Total buildings and grounds	123,304	123,304	118,024	5,280

(cont'd)

System Wide Automated Network
Schedule of Operating Expenses - Budget and Actual (cont'd)
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance With Final Budget
Operations (cont'd):				
Conferences, training and travel:				
Conferences and training	\$ 29,100	\$ 29,100	\$ 7,082	\$ 22,018
Travel	13,800	13,800	(5,398)	19,198
Total conferences, training and travel	42,900	42,900	1,684	41,216
Professional and contractual services:				
Accounting	20,610	20,610	24,714	(4,104)
Consulting	5,000	5,000	2,360	2,640
Equipment rental	3,700	3,700	2,485	1,215
Group purchases	435,400	435,400	424,697	10,703
Information services	74,600	74,600	83,186	(8,586)
Legal	5,000	5,000	1,338	3,662
Liability insurance	9,200	9,200	9,390	(190)
Other contractual services	62,900	62,900	82,256	(19,356)
Telephone & telecommunications	19,400	19,400	21,270	(1,870)
Notification and collection	35,300	35,300	22,546	12,754
Recruitment	900	900	250	650
Total professional services	672,010	672,010	674,492	(2,482)
Miscellaneous:				
eCommerce	40	40	44	(4)
Bank fees	3,700	3,700	4,743	(1,043)
Reimburse resource sharing	-	-	41,240	(41,240)
Total miscellaneous	3,740	3,740	46,027	(42,287)
Depreciation	3,607	3,607	3,607	-
Total operating expenses	\$ 4,031,961	\$ 4,031,961	\$ 3,747,088	\$ 284,873

See independent auditor's report.