

# 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, 2022. 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 2022's conclusion, the following:

- As a result of current year operations, net position increased by \$163,621, which brings SWAN's total net position to \$2,425,983 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 \$2,407,110
- GASB statement number 87, Leases, was adopted and moving forward for SWAN, the commercial office lease is going to be tracked as a Capital Asset (Right of Use Asset). This means the remaining years of the lease is tracked similar to how Capital Equipment would be treated. Rather than showing rent/lease payments as an expense each month, they are treated as a reduction of a liability (Lease Payable). And then at the end of the year, there is an entry done to record the amortization (depreciation) of the asset. While this GASB rule impacts the audit for FY22 and moving forward, SWAN can continue to record the actual expense for the lease under the Buildings & Grounds in the operations budget.

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

## Government-Wide Financial Analysis

### Audit report pages 4-6

SWAN's net position for fiscal year 2022 is detailed and compared with the previous fiscal year.

<b>SWAN's Net Position</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>	<b>Positive (Negative) Variance</b>
Total assets	<b>\$2,869,271</b>	\$2,552,256	\$317,015
Total liabilities	<b>\$226,394</b>	\$289,894	<b>(\$63,500)</b>
Total net position	<b>\$2,425,983</b>	\$2,262,362	\$163,621

<b>Change in Net Position</b>			<b>Positive (Negative) Variance</b>
Total revenues	<b>\$3,979,141</b>	\$3,949,002	\$30,139
Total expenses	<b>\$3,818,004</b>	\$3,747,088	\$70,916
Change in net position	<b>\$163,621</b>	\$201,914	<b>(\$38,293)</b>
Net position – beginning	<b>\$2,262,362</b>	\$2,060,448	\$201,914
<b>Net position – ending</b>	<b>\$2,425,983</b>	\$2,262,362	\$163,621

## 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 2022 depreciated by \$2,543.

### **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)

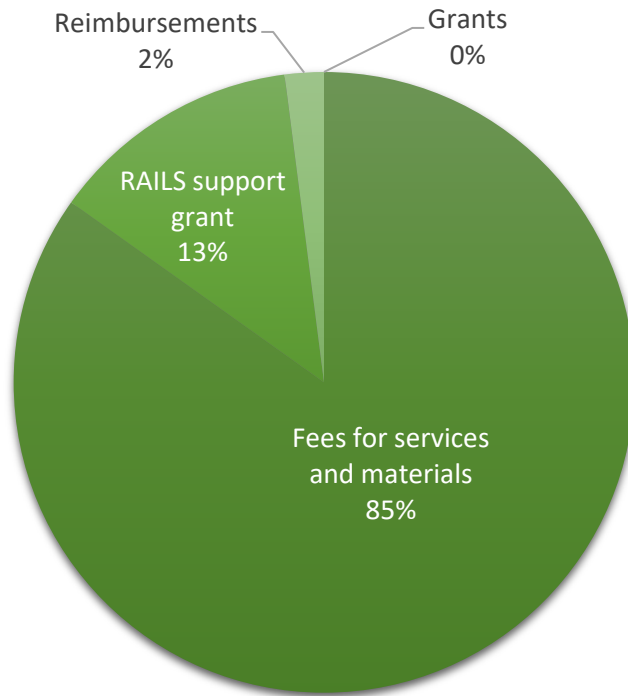
SWAN's budget and actual operating revenue and expenses are detailed in the schedule.

## SWAN Financial Outlook

SWAN relies on wide base of funding through assessment of membership fees, which comprises 85% of its revenue. RAILS LLSAP funding grant was awarded at \$522,691 for fiscal year 2022. Operating revenues ended the year over budget at \$49,997.

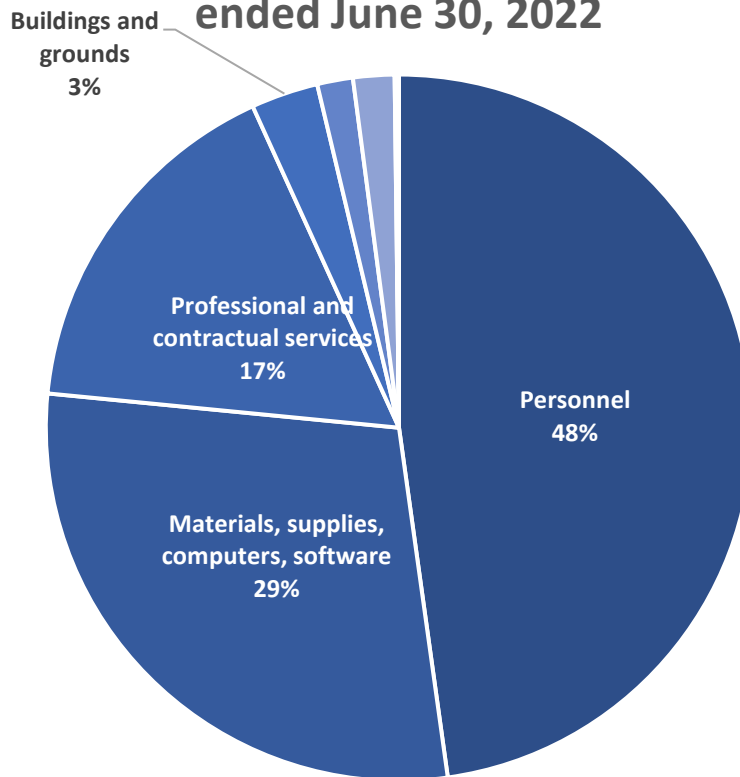
Operating expenses ended the year under budget at \$284,873.

### Operating revenue net position for the year ended June 30, 2022



Operating revenues	Actual	Budget	Positive (Negative) Variance with Final Budget
Fees for services and materials	\$3,378,786	\$3,385,547	(\$6,761)
RAILS support grant	\$522,691	\$522,691	\$0
Reimbursements	\$80,939	\$62,379	\$18,560
Grants	\$0	\$0	\$0
Total operating revenues	\$4,029,138	\$3,979,141	\$49,997

## Operating expenses net position for the year ended June 30, 2022



Operations	Actual	Budget	Positive (Negative) Variance with Final Budget
Personnel	\$1,833,571	\$2,049,000	\$215,429
Materials, supplies, computers, software	\$1,103,321	\$1,130,000	\$26,679
Professional and contractual services	\$638,851	\$678,844	\$39,993
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.)	\$72,512	\$33,740	(\$38,772)
Depreciation	\$2,322	\$2,322	\$0
Conferences, training and travel	\$5,245	\$14,500	\$9,255
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](mailto:aaron@swalibraries.net)



**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2022**

# System Wide Automated Network

## **Annual Financial Report**

For the Year Ended June 30, 2022

## **Administrative Offices**

800 Quail Ridge Drive  
Westmont, IL 60559



**System Wide Automated Network  
Annual Financial Report  
For the Year Ended June 30, 2022**

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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

### Opinion

We have audited the accompanying financial statements of **System Wide Automated Network (SWAN)** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 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 financial position of System Wide Automated Network as of June 30, 2022, 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.

### 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.

### Emphasis of Matter

As discussed in Note I.D.6, SWAN adopted the Governmental Accounting Standard Board (GASB) Statement No. 87, *Leases*, as amended. Our opinion is not modified with respect to this matter.

## **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.

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 the 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, 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.

## **Other Supplementary 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.*

November 15, 2022

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

**System Wide Automated Network  
Management's Discussion and Analysis  
June 30, 2022**

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, 2022. 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 \$2,425,983 as of June 30, 2022.
- As a result of current year operations, net position increased by \$163,621.
- Total liabilities of \$443,288 include accounts payable, accruals for payroll, compensated absences, unearned revenues, and a lease liability for right to use asset.
- SWAN adopted Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, which required the recognition of an intangible right to use asset and a lease liability of \$234,202 and \$273,990, respectively, as of July 1, 2021.

## **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 11-20 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 21-22).

## **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 \$2,425,983 at June 30, 2022 (\$2,262,362 at June 30, 2021). At the end of the year, \$2,407,110 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	
	6/30/2022	6/30/2021
Current and other assets	\$ 2,661,276	\$ 2,507,594
Capital assets - net	184,528	21,195
Other assets – deposits	23,467	23,467
<b>Total assets</b>	<b>2,869,271</b>	<b>2,552,256</b>
Accounts payable	34,357	3,403
Accrued payroll	45,063	40,907
Unearned revenues	42,928	97,736
Lease liability – right to use asset	197,620	-
Accrued rent	-	39,788
Compensated absences payable	123,320	108,060
<b>Total liabilities</b>	<b>443,288</b>	<b>289,894</b>
Net position:		
Net investment in capital assets	18,873	21,195
Unrestricted	2,407,110	2,241,167
<b>Total net position</b>	<b>\$ 2,425,983</b>	<b>\$ 2,262,362</b>
	Changes in Net Position	
	6/30/2022	6/30/2021
Revenues:		
Charges to members for services	\$ 3,378,786	\$ 3,261,214
Operating grants	524,691	605,780
Reimbursements and other	75,664	80,939
Investment income	2,484	1,069
<b>Total revenues</b>	<b>3,981,625</b>	<b>3,949,002</b>
Expenses:		
Personnel	1,833,571	1,814,147
Equipment and software maintenance	42,212	62,712
Library materials and supplies	1,103,321	1,026,395
Buildings and grounds	48,880	118,024
Conferences, travel and training	5,245	1,684
Professional and contractual services	638,851	674,492
Miscellaneous	72,512	46,027
Depreciation, amortization and interest	73,412	3,607
<b>Total expenses</b>	<b>3,818,004</b>	<b>3,747,088</b>
<b>Change in net position</b>	<b>163,621</b>	<b>201,914</b>
Net position – beginning	2,262,362	2,060,448
<b>Net position – ending</b>	<b>\$ 2,425,983</b>	<b>\$ 2,262,362</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont'd)

Net position increased by \$163,621 in the fiscal year ended June 30, 2022 (\$201,914 in the fiscal year ended June 30, 2021). Charges to members for services increased by \$117,572 (3.6%) in fiscal year ended June 30, 2022. Operating expenses for the current year of \$3,818,004 increased by \$70,916 (1.9%).

## BUDGETARY HIGHLIGHTS

Actual operating revenues of \$3,979,141 were \$49,997 lower than the final budgeted revenues of \$4,029,138.

Actual expenditures on a budgetary basis of \$3,818,004 were \$254,656 less than the final budgeted expenditures of \$4,072,660. 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 recorded a lease liability for a right to use asset for their office lease under GASB 87 in the current year. Additional information can be found in Note III. C on page 17 of this report.

## CAPITAL ASSETS

SWAN's net investment in capital assets as of June 30, 2022, was \$18,873 (\$21,195 at June 30, 2021). This investment in capital assets includes leasehold improvements, computer equipment, and machinery and equipment. Effective July 1, 2021, the investment in capital assets also includes an intangible right to use asset for office space.

	<b>Capital Assets – Net of Depreciation</b>	
	<b>6/30/2022</b>	<b>6/30/2021</b>
Leasehold improvements	\$ 2,084	\$ 2,945
Computer equipment	-	-
Machinery and equipment	16,789	18,250
Intangible right to use lease-office space	165,655	-
	<b>\$ 184,528</b>	<b>\$ 21,195</b>

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

## **BASIC FINANCIAL STATEMENTS**

**System Wide Automated Network**  
**Statement of Net Position**  
**June 30, 2022**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,943,846
Accounts receivable, net of allowance	18,973
Inventory	1,733
Prepaid expenses	696,724
<b>Total current assets</b>	<b>2,661,276</b>
Noncurrent assets:	
Capital assets	601,981
Accumulated depreciation	(417,453)
<b>Total net capital assets</b>	<b>184,528</b>
Other assets - deposits	23,467
<b>Total noncurrent assets</b>	<b>207,995</b>
<b>Total assets</b>	<b>\$ 2,869,271</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 34,357
Accrued payroll	45,063
Unearned revenues	42,928
Lease liability - right to use asset	79,382
Compensated absences payable	24,664
<b>Total current liabilities</b>	<b>226,394</b>
Noncurrent liabilities:	
Lease liability - right to use asset	118,238
Compensated absences payable	98,656
<b>Total noncurrent liabilities</b>	<b>216,894</b>
<b>Total liabilities</b>	<b>\$ 443,288</b>
<b>Net Position</b>	
Net position:	
Net investment in capital assets	\$ 18,873
Unrestricted	2,407,110
<b>Total net position</b>	<b>\$ 2,425,983</b>

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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance With Final Budget</u>
Operating revenues:				
Fees for services and materials	\$ 3,385,547	\$ 3,385,547	<b>\$ 3,378,786</b>	\$ (6,761)
RAILS support grant	522,691	522,691	<b>522,691</b>	-
Grants	-	-	<b>2,000</b>	2,000
Reimbursements	120,000	120,000	<b>63,031</b>	(56,969)
Other	900	900	<b>12,633</b>	11,733
<b>Total operating revenues</b>	<u>4,029,138</u>	<u>4,029,138</u>	<u><b>3,979,141</b></u>	<u>(49,997)</u>
Operating expenses:				
Administration	<u>4,072,660</u>	<u>4,072,660</u>	<u><b>3,818,004</b></u>	<u>254,656</u>
<b>Operating income (loss)</b>	<u>(43,522)</u>	<u>(43,522)</u>	<u><b>161,137</b></u>	<u>204,659</u>
Nonoperating revenues:				
Investment income	<u>2,000</u>	<u>2,000</u>	<u><b>2,484</b></u>	<u>484</u>
<b>Changes in net position</b>	<u>\$ (41,522)</u>	<u>\$ (41,522)</u>	<u><b>163,621</b></u>	<u>\$ 205,143</u>
Net position, beginning of the year			<u><b>2,262,362</b></u>	
<b>Net position, end of the year</b>			<u><b>\$ 2,425,983</b></u>	

See accompanying notes.

**System Wide Automated Network  
Statement of Cash Flows  
For the Year Ended June 30, 2022**

Cash flows from operating activities:	
Received from customers and users	\$ 3,327,678
Grant receipts	524,691
Other receipts	75,664
Payments to suppliers	(1,951,174)
Payments to employees	(1,814,155)
	<u>162,704</u>
<b>Net cash flows from operating activities</b>	<b>162,704</b>
Cash flows from investing activities - interest received	<u>2,484</u>
Cash flows from financing activities - principal paid on lease liability on right to use asset	<u>(76,370)</u>
<b>Net change in cash and cash equivalents</b>	<b>88,818</b>
Cash and cash equivalents, beginning of the year	<u>1,855,028</u>
<b>Cash and equivalents, end of the year</b>	<b><u>\$ 1,943,846</u></b>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 161,137
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	2,322
Amortization	68,547
Changes in:	
Receivables	3,700
Prepaid expenses	(68,564)
Accounts payable	30,954
Accrued payroll	4,156
Unearned revenue	(54,808)
Compensated absences payable	15,260
	<u>162,704</u>
<b>Net cash from operating activities</b>	<b><u>\$ 162,704</u></b>
<b>Noncash transactions:</b>	
Recognition of right to use asset - office space	<u>\$ 234,202</u>
Recognition of lease liability for right to use asset	<u>\$ 273,990</u>

See accompanying notes.

## **System Wide Automated Network Notes to the Financial Statements**

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### **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)**

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**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 of the are 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)**

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**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)**

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**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.

**6. Change in Accounting Principle and Restatement**

For 2022, SWAN implemented Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, which enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in SWAN's 2022 financial statements. At July 1, 2021, SWAN recognized an intangible right to use asset of \$234,202 and a lease liability of \$273,990 and eliminated the balance in deferred rent.

**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 2022.

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

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

**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 \$1,943,846 and the bank balances totaled \$1,974,974.

**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, 2022, and therefore, they are not subject to interest rate risk.

**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, 2022, was as follows:

	Restated Balance, July, 1 2021	Additions	Retirements/ Adjustments	Balance, June 30, 2022
Capital assets, being depreciated:				
Leasehold improvements	\$ 6,895	\$ -	\$ -	\$ 6,895
Computer equipment	324,383	-	-	324,383
Machinery and equipment	36,501	-	-	36,501
Intangible right to use lease – office space	234,202	-	-	234,202
<b>Total capital assets</b>	<b>601,981</b>	<b>-</b>	<b>-</b>	<b>601,981</b>
Less accumulated depreciation for:				
Leasehold improvements	3,949	862	-	4,811
Computer equipment	324,383	-	-	324,383
Machinery and equipment	18,252	1,460	-	19,712
Intangible right to use lease – office space	-	68,547	-	68,547
<b>Total accumulated depreciation</b>	<b>346,584</b>	<b>70,869</b>	<b>-</b>	<b>417,453</b>
<b>Total net depreciable capital assets</b>	<b>\$ 255,397</b>	<b>\$ (70,869)</b>	<b>\$ -</b>	<b>\$ 184,528</b>

Depreciation expense for the year was \$2,322. Amortization of intangible right to use asset for the year was \$68,547.

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

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

**C. Long-Term Liabilities**

**Lease Liability** – SWAN entered into a seven-year, non-cancelable operating lease for office space beginning in March 2017. Effective July 1, 2021, \$273,990 has been recorded as intangible right to use lease in the capital assets. Due to the implementation of GASB Statement No. 87, this lease for office space met the criteria of a lease; thus, requiring it to be recorded by SWAN. This asset will be amortized over the remaining lease term of 51 months since it is shorter than the useful life and SWAN is not taking ownership of office space. The lease runs through November 30, 2024. A summary of the principal and interest amounts for the remaining lease is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 79,382	\$ 1,899
2024	82,771	948
2025	<u>35,467</u>	<u>104</u>
Total	<u>\$ 197,620</u>	<u>\$ 2,951</u>

A summary of changes in long-term obligations follows:

	<u>Restated Balance, July 1, 2021</u>	<u>Additions</u>	<u>Depletions</u>	<u>Balance, June 30, 2022</u>
Accrued rent	\$ 39,788	\$ -	\$ 39,788	\$ -
Lease liability – right to use asset	273,990	-	76,370	<b>197,620</b>
Accrued compensated absences	<u>108,060</u>	<u>111,782</u>	<u>96,522</u>	<u><b>123,320</b></u>
	<u>\$ 421,838</u>	<u>\$ 111,782</u>	<u>\$ 212,680</u>	<u><b>\$ 320,940</b></u>

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

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**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 2022 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 \$527,381 during fiscal year 2023. 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)**

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

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

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

Projected due date May 2023	\$ 498,030
Projected due date May 2024	<u>507,493</u>
	<u>\$ 1,005,523</u>

During fiscal year 2022, SWAN centered into a new 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 contract runs from July 1, 2022 to June 30, 2025. Minimum future payments under the lease agreement are as follows:

2023	\$ 231,496
2024	234,382
2025	<u>237,307</u>
	<u>\$ 703,185</u>

The payment of \$231,496, due July 1, 2022, was paid in June 2022 and is included in prepaid expenses at June 30, 2022.

**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, 2022, was \$131,564.

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

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

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

**C. Defined Contribution Plan (cont'd)**

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, 2022.



**OTHER SUPPLEMENTARY INFORMATION**

**System Wide Automated Network**  
**Schedule of Operating Expenses - Budget and Actual**  
**For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance With Final Budget</u>
Operations:				
Personnel:				
Salaries and wages	\$ 1,549,000	\$ 1,549,000	\$ 1,409,967	\$ 139,033
Payroll, taxes and benefits:				
Health, dental, life and disability insurance	234,600	234,600	192,411	42,189
Retirement benefits and administration	140,900	140,900	131,564	9,336
Other fringe benefits	3,100	3,100	718	2,382
Social Security taxes	118,400	118,400	101,675	16,725
Unemployment insurance	-	-	(6,580)	6,580
Workers compensation	3,000	3,000	3,816	(816)
<b>Total personnel</b>	<u>2,049,000</u>	<u>2,049,000</u>	<u>1,833,571</u>	<u>215,429</u>
Equipment and software maintenance expense	<u>38,400</u>	<u>38,400</u>	<u>42,212</u>	<u>(3,812)</u>
Library materials and supplies:				
Computers, software & supplies	1,120,800	1,120,800	1,100,465	20,335
General office supplies & equip	1,500	1,500	2,200	(700)
Postage	1,500	1,500	656	844
Print materials	5,000	5,000	-	5,000
Marketing & promotional materials	1,200	1,200	-	1,200
<b>Total library materials       and supplies</b>	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,103,321</u>	<u>26,679</u>
Buildings and grounds:				
Rent	110,104	110,104	36,633	73,471
Utilities	5,700	5,700	6,674	(974)
Property insurance	-	-	898	(898)
Repairs and maintenance	1,050	1,050	1,035	15
Custodial service and supplies	9,000	9,000	3,640	5,360
<b>Total buildings &amp; grounds</b>	<u>125,854</u>	<u>125,854</u>	<u>48,880</u>	<u>76,974</u>

(cont'd)

**System Wide Automated Network**  
**Schedule of Operating Expenses - Budget and Actual (cont'd)**  
**For the Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual	Positive (Negative) Variance With Final Budget
Operations (cont'd):				
Conferences, training and travel:				
Conferences and training	\$ 13,700	\$ 13,700	\$ 4,356	\$ 9,344
Professional development	-	-	350	(350)
Travel	800	800	539	261
<b>Total conferences,             training and travel</b>	<b>14,500</b>	<b>14,500</b>	<b>5,245</b>	<b>9,255</b>
Professional & contractual services:				
Accounting	17,560	17,560	19,160	(1,600)
Consulting	38,000	38,000	44,885	(6,885)
Equipment rental	3,700	3,700	2,536	1,164
Group purchases	463,184	463,184	447,063	16,121
Information services	76,600	76,600	65,931	10,669
Legal	5,000	5,000	-	5,000
Liability insurance	9,400	9,400	11,188	(1,788)
Other contractual services	6,100	6,100	7,881	(1,781)
Telephone & telecommunications	20,400	20,400	16,481	3,919
Notification and collection	38,000	38,000	23,726	14,274
Recruitment	900	900	-	900
<b>Total professional services</b>	<b>678,844</b>	<b>678,844</b>	<b>638,851</b>	<b>39,993</b>
Miscellaneous:				
eCommerce	40	40	11,977	(11,937)
Bank fees	3,700	3,700	4,743	(1,043)
Reimburse resource sharing	30,000	30,000	53,938	(23,938)
Electronic resources	-	-	1,854	(1,854)
<b>Total miscellaneous</b>	<b>33,740</b>	<b>33,740</b>	<b>72,512</b>	<b>(38,772)</b>
Depreciation	2,322	2,322	2,322	-
Amortization	-	-	68,547	(68,547)
Interest on lease liability	-	-	2,543	(2,543)
<b>Total operating expenses</b>	<b>\$ 4,072,660</b>	<b>\$ 4,072,660</b>	<b>\$ 3,818,004</b>	<b>\$ 254,656</b>

See independent auditor's report.