Attachment 2

WHITEHORSE MANNINGHAM REGIONAL

LIBRARY CORPORATION

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Whitehorse
Manningham
Libraries

WHITEHORSE MANNINGHAM REGIONAL

LIBRARY CORPORATION

Financial Report

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Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Principal Accounting Officer
Julie Lawes
Date:

In our opinion, the accompanying financial statements presents fairly the financial transactions of the Whitehorse Manningham Regional Library Corporation for the year ended 30 June 2018 and the financial position of the Corporation as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Library Board and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Councillor

Date:

Councillor

Date:

Chief Executive Officer
Sally Both
Date:

Comprehensive Income Statement
For the Year Ended 30 June 2019

	Note	2019 $	2018 $
Income			
Council Contributions	2.1	8,922,278	7,606,159
State Government Grants		1,734,859	1,705,023
Other Income	2.3	302,845	324,558
Other Grants	2.2	162,281	190,988
Interest from Investments		95,557	108,115
Total Income		**11,217,820**	**9,934,843**
Expenses			
Employee Costs	3.1	7,280,374	7,210,789
Depreciation	3.2	1,194,734	1,171,710
Information Technology		347,535	467,035
Audit and Finance Costs	3.4	38,721	42,999
Collection Resources		285,537	261,975
Grant Expenditure		59,138	270,458
Warrandyte Library Expenses		257,763	262,192
Other Expenses	3.5	912,486	814,145
Loss on disposal of property, plant and equipment	3.3	653,713	844,238
Total Expenses		**11,030,001**	**11,345,543**
Surplus for the year		**187,819**	**(1,410,699)**
Total Comprehensive Result		**187,819**	**(1,410,699)**

The above comprehensive income statement should be read with the accompanying notes

Balance Sheet
As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	4.1	2,324,237	2,495,808
Trade Receivables		72,081	65,954
Other assets	4.2	101,018	114,507
Total Current Assets		2,497,336	2,676,269
Non-Current Assets			
Property and Equipment	5.1	6,859,752	6,759,924
Total Non-Current Assets		6,859,752	6,759,924
Total Assets		**9,357,087**	**9,436,193**
Liabilities			
Current Liabilities			
Payables	4.3	503,765	729,607
Provisions	4.4	1,429,926	1,528,585
Total Current Liabilities		1,933,691	2,258,192
Non-Current liabilities			
Provisions	4.4	181,208	123,632
Total Non-Current Liabilities		181,208	123,632
Total Liabilities		**2,114,900**	**2,381,824**
Net Assets		**7,242,188**	**7,054,370**
Equity			
Members Contribution on Formation		3,922,043	3,922,043
Accumulated Surplus		3,320,145	3,132,327
Total Equity		**7,242,188**	**7,054,370**

The above balance sheet should be read with the accompanying notes

Statement of Changes in Equity
For the Year Ended 30 June 2019

	Total 2019 $	Accumulated Surplus 2019 $	Members Contribution 2019 $
2019			
Balance at beginning of the financial year	7,054,369	3,132,326	3,922,043
Surplus (deficit) for the year	187,819	187,819	0
Balance at end of the financial year	7,242,188	3,320,145	3,922,043

	Total 2018 $	Accumulated Surplus 2018 $	Members Contribution 2018 $
2018			
Balance at beginning of the financial year	8,465,069	4,543,026	3,922,043
Surplus (deficit) for the year	(1,410,699)	(1,410,699)	0
Balance at end of the financial year	7,054,369	3,132,326	3,922,043

The above statement of changes in equity should be read with the accompanying notes

Statement of Cash Flows
For the Year Ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Council Contributions		9,814,506	8,366,775
Government Grants		1,734,859	1,705,023
Interest Income		98,730	108,432
Library Fines, FONL income, Grants (gst free)		239,071	250,032
Other Income		254,991	290,073
Employee Costs		(7,331,442)	(7,170,967)
Payments to suppliers (inclusive of GST)		(2,511,036)	(2,295,408)
Net GST payments		(564,974)	(350,252)
Net cash provided by in operating activities	8.1	**1,734,705**	**903,708**
Cash flows from investing activities			
Proceeds from sale of Equipment		21,000	0
Payment for Library Stock, Information Technology & Furniture		(1,927,276)	(2,320,290)
Net cash provided by investing activities		**(1,906,276)**	**(2,320,290)**
Net increase (decrease) in cash and cash equivalents		(171,571)	(1,416,582)
Cash and cash equivalents at beginning of the year		2,495,808	3,912,390
Cash and cash equivalents at the end of the financial year	4.1	**2,324,237**	**2,495,808**
Financing arrangements	4.5		

The above cash flow statement should be read with the accompanying notes

Statement of Capital Works
For the Year Ended 30 June 2019

	2019 $	2018 $
Plant and Equipment		
Library Stock	1,704,359	1,650,181
Furniture and Equipment	29,215	257,339
IT Replacement	201,616	412,768
Motor Vehicles Replacement	34,085	-
Total Capital Works Expenditure	**1,969,275**	**2,320,289**
Represented by		
Renewal	1,969,275	2,320,289
Total Capital Works Expenditure	**1,969,275**	**2,320,289**

OVERVIEW

Introduction

The Whitehorse Manningham Regional Library Corporation was established under Section 196 of the *Local Government Act 1989* by the Minister of Local Government on 12 December 1995. The Corporation's headquarters is located at 1040 Whitehorse Road, Box Hill.

These financial statements constitute a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant Accounting Policies

a. Basis of Accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, revenue and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the determination of depreciation for library collections, computer equipment and furniture (refer to note 5.1) and
- the determination of employee provisions (refer to note 4.4)

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Note 1 Performance against budget

The budget comparison notes compare the Corporation's financial plan, expressed through it's annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. The Corporation has adopted a materiality threshold of 10% where further explanation is warranted. Explanations have not been provided for variations below the material threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by the Corporation on 30 May 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. The Corporation sets guidelines and parameters for revenue and expense targets in this budget in order to meet the Corporation's planning and financial performance targets for both short and long-term.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

1.1 Income and Expenditure

	Budget 2019 $	Actual 2019 $	Variance 2019 $	Variance 2019 %	Ref
Income					
Council Contributions	8,617,720	8,922,278	304,558	4%	1
State Government Grant	1,735,713	1,734,859	(854)	0%	
Other Income	434,351	302,841	(131,510)	-30%	2
Other Grants	127,174	162,281	35,107	28%	3
Interest from Investments	75,000	95,557	20,557	27%	4
	10,989,958	11,217,816	227,858		
Expenditure					
Employee costs	7,354,389	7,280,950	(73,439)	-1%	
Depreciation	1,253,498	1,194,734	(58,764)	-5%	
Information Technology	375,000	347,535	(27,465)	-7%	
Financial Costs	35,000	38,721	3,721	11%	5
Collection Resources	249,960	285,537	35,577	14%	6
Other Expenses	887,544	1,170,249	282,705	32%	7
Grant Expenditure	127,174	59,138	(68,036)	-53%	8
Net loss on disposal of property and equipment		653,713	653,713	100%	9
	10,282,565	11,030,577	748,012		
Surplus/(deficit) for the year	707,393	187,239	(520,154)	0	

Note 1 Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Council Contributions	The Corporation received a 2.5% increase in the 2018/2019 funding from member councils. Income and expenditure for Warrandyte Library is not included in the Budget preparation as City of Manningham fund this branch outside of the Regional Library Agreement.
2	Fees and Charges	Revenue from user fees and charges continued to decline. This is an industry wide trend.
3	Other Grants	The Corporation received a number of small grants for specific projects that were not anticipated. These included one from Telstra and another from DHHS for Social Seniors Program grant. A $25,000 grant was received from Whitehorse Council for Library Initiatives projects.
4	Interest	Interest on Investments includes the interest earned on both short term and at call accounts and also interest earned on the Long Service Reserve. The interest on LSL is not included in the budget figures.
5	Financial Costs	Additional costs were incurred as a result of finalising long term projects and an increase in Audit fees.
6	Collection Resources	The Budget figures includes operational expenditure only. The Actual figure include any collection resouces expended from the capital budget i.e. genre collection. An increase in subscription costs has resulted in overexpenditure.
7	Other Expenses	Expenditure in Programs and Marketing was higher than anticipated due to an increase in the number of library programs delivered across the region. Warrandyte Library are not reflected in the budget as it is an additional service provided by the Corporation at the request of Manningham City Council. However the income is reflected as part of Council Contributions.

Note 1 Performance against budget (cont.)

8	Other Expenses	Grants expenditure was less than budgeted as some of the projects have carried over to be completed early in the 2019/20 year.
9	Loss on disposal of property and equipment	The Corporation does not include in the budget any profit or loss from the disposal of assets. The loss occurred as a result of the disposal of furniture and equipment surplus to the Corporation requirements. It also includes the disposal of library stock provided by the Library Management System.

1.2 Capital Works

	Budget 2019 $	Actual 2019 $	Variance 2019 $	Variance 2019 %	Ref
Library Stock	1,664,944	1,704,359	39,415	2%	
Furniture & Equipment	58,000	29,215	(28,785)	-50%	1
Information Technology	210,000	201,616	(8,384)	-4%	
Motor Vehicles Replacement	25,000	34,085	9,085	36%	2
Total Capital Works Expenditu	1,957,944	1,969,275	11,332		
Represented by:					
Renewal	1,957,944	1,969,275	11,331	1%	
Total Capital Works Expenditu	1,957,944	1,969,275	11,331		

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Furniture and Fittings	Following delays in ordering and shipping this fund was underspent. The items are due in the first quarter of the new financial year.
2	Motor Vehicles Replacement	One vehicle was replacement with the purchase of the second vehicle deferred until 19/20.

	2019	2018
	$	$

Note 2 Funding for the delivery of our services

2.1 Council Contributions

	2019	2018
Manningham City Council	3,439,674	3,423,984
Whitehorse City Council	5,178,046	3,888,078
Manningham City Council - Warrandyte	304,558	294,097
	8,922,278	7,606,159

For the year ending June 2018 the Council Contribution from City of Whitehorse only accounts for the October to June contributions. The July to September payment was paid in June 2017 so is shown in the 2016/2017 years.

2.2 Other Grants

	2019	2018
Local Priorities Grant	91,308	89,738
Libraries Initiatives Project	25,000	25,000
Friends of Nunawading Library	6,074	7,000
Premiers Reading Challenge	35,899	35,821
Adult Literacy Innovation Grant - SLV	0	20,429
Other	4,000	13,000
	162,281	190,988

Council Contributions and Grants are recognised as revenue when the Corporation obtains control over the funds.

2.3 Other Income

	2019	2018
Overdue Charges	105,786	117,473
Photocopying Services	56,754	57,259
Other Service Charges	101,366	119,614
Sale of Products	12,928	14,163
Library Programs & Activities	4,514	3,460
Fundraising	5,561	0
Insurance	10,234	0
Sundry Income	5,701	12,590
	302,845	324,558

Revenue for overdue fines and other charges, interest on investments, sale of assets and other income is recognised at the time of receipt.

Note 3 The cost of delivering services

3.1 Employee Costs

	2019 $	2018 $
Wages and Salaries	6,452,507	6,382,953
Annual Leave	(22,016)	37,913
WorkCover	25,364	31,431
Superannuation	607,470	563,400
Staff Training Expenses	50,492	39,822
Long Service Leave	166,557	155,270
	7,280,374	7,210,789

b) Superannuation

The Corporation made contributions to the following funds

	2019 $	2018 $
Defined Benefit Fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	100,941	91,324
Employer contributions payable at reporting date.	0	0
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	384,403	351,320
Employer contributions - other funds	122,126	117,601
	506,529	468,921
Employer contributions payable at reporting date.	0	0

Refer to 8.2 for further information relating to the Corporation's superannuation obligations.

	2019	2018
	$	$

3.2 Depreciation

	2019 $	2018 $
Library Stock	837,114	863,142
Furniture and Equipment	103,240	87,155
Computer Equipment	236,613	200,624
Motor Vehicles	17,767	20,789
	1,194,734	1,171,710

Refer to note 5.1 for a more detailed breakdown of depreciation and accounting policy.

3.3 Disposal of Assets

	2019 $	2018 $
Library Stock		
Proceeds from sale of Library Stock	0	0
Written down value of assets written off	(628,160)	(840,267)
Gain/(Loss) on disposal of assets	(628,160)	(840,267)
Furniture and Equipment		
Proceeds from sale of furniture and equipment	0	0
Written down value of assets sold	(29,423)	(3,971)
Gain/(Loss) on disposal of assets	(29,423)	(3,971)
Motor Vehicles		
Proceeds from sale of motor vehicles	21,000	15,200
Written down value of assets sold	(17,130)	(19,555)
Gain/(Loss) on disposal of assets	3,870	(4,355)
Total Disposal of Assets	(653,713)	(848,593)

3.4 Audit and Finance Costs

	2019 $	2018 $
Audit fee payable to Victorian Auditor General	10,300	10,000
Internal audit fees - RSM	21,880	22,390
Other finance costs	6,541	10,609
	38,721	42,999

3.5 Other Expenses

	2019 $	2018 $
Cleaning, Security	215,707	212,848
Utility Costs	262,959	221,013
Headquarters Costs	78,102	78,852
Couriers	55,371	52,393
Professional Services	41,445	43,037
Insurance	50,298	49,244
Office Expenses	45,669	50,621
Programs and Marketing Costs	125,336	71,384
Vehicle Maintenance	15,098	15,930
Fundraising Expenditure	2,537	0
Staff Amenities	19,964	18,824
	912,486	814,145

Note 4 Our financial position

4.1 Financial assets

	2019 $	2018 $
(a) Cash and cash equivalents		
Cash on Hand	1,500	1,500
Cash at Bank	54,003	98,195
Money Market call account	185,709	354,230
Term Deposits	627,893	622,928
Money Market - restricted LSL	1,455,132	1,418,956
Total financial assets	2,324,237	2,495,809

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

4.2 Non-financial assets

	2019 $	2018 $
(a) Other assets		
Prepayments	68,702	79,019
Accrued Income	32,316	35,489
Total other assets	101,018	114,507

4.3 Payables

	2019 $	2018 $
Creditors	330,180	540,453
Accrued Expenses	173,585	189,156
	503,765	729,608

4.4 Provisions

	2019 $	2018 $
Annual Leave		
Balance at beginning of the financial year	488,257	450,345
Additional Provisions	535,737	514,439
Amounts Used	(557,753)	(476,527)
Balance at end of the financial year	466,241	488,257
Long Service Leave		
Balance at beginning of the financial year	1,163,960	1,148,539
Additional Provisions	179,160	144,171
Amounts Used	(198,226)	(128,750)
Balance at end of the financial year	1,144,894	1,163,960
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual Leave	379,387	388,094
Long Service Leave	81,593	67,230
	460,980	455,324
Current provisions expected to be settled after 12 months		
Annual Leave	86,854	100,163
Long Service Leave	882,092	973,098
	968,946	1,073,261
Total current employee provisions	1,429,926	1,528,585
Non current provisions		
Long Service Leave	181,208	123,632
Total non current provisions	181,208	123,632
Total Provisions	1,611,135	1,652,217

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

	2019 $	2018 $

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability.

Key assumptions:

	2019	2018
• discount rate	1.32%	2.64%
• weighted average increase in employee costs	4.31%	3.88%
• settlement	7 yrs	7 yrs

4.5 Financing arrangements

The Corporation has the following funding arrangements in place as at 30/06/2019.

	2019 $	2018 $
Bank overdraft	20,000	20,000
Credit card facilities	14,000	14,000
Total facilities	**34,000**	**34,000**
Used facilities	6,910	-
Unused facilities	27,090	34,000
	34,000	**34,000**

Note 5 Assets we manage

5.1 Summary of property and equipment

	At Cost 30 June 2018	Additions	Depreciation	Disposals sold	Disposals written off	At Cost 30 June 2019
	$	$	$	$	$	$
Library Stock	5,390,885	1,704,359	(837,114)		(628,160)	5,629,970
Furniture & Equipment	707,463	29,717	(103,240)		(28,789)	605,151
Computer Equipment	589,971	201,114	(236,613)		(634)	553,838
Motor Vehicles	71,605	34,085	(17,767)	(17,130)	0	70,793
	6,759,924	1,969,275	(1,194,734)	(17,130)	(657,583)	6,859,752

(a) Recognition and measurement of assets

The Corporation has adopted the purchase method of accounting in relation to the measurement of the acquisition of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental cost attributable to the acquisition. Fair Value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction. In accordance with the Corporation's policy, the threshold limits below have been applied when recognising assets within an applicable asset class. (Same as applied in 2017/2018)

Class of asset	Threshold limit
Library Stock	Nil Limit
Audio Visual	Nil Limit
Electronic Resources	Nil Limit
Computer Hardware	$1,000

Class of asset	Threshold limit
Computer Equipment	$1,000
Motor Vehicles	Nil Limit
Furniture and Equipment	$1,000

(b) Depreciation of non current assets

Library Stock, motor vehicles, furniture and equipment, including computer equipment and other assets having limited useful lives are systematically depreciated over their useful lives to the Corporation. Estimates of remaining useful lives and residual values are reassessed annually. Depreciation is recognised on either the straight-line basis or diminishing value basis using rates that are, unless otherwise stated, consistent with the prior year:

	Useful Life	Depreciation Basis
Library Stock	10 Years	Straight Line
Audio Visual	5 Years	Straight Line
Electronic Resources	2 Years	Straight Line
Computer Equipment	3 Years	Straight Line
Computer Hardware	5 Years	Straight Line
Motor Vehicles	4.44 Years	Diminishing
Furniture and Equipment	6.67 Years	Diminishing

(c) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

(d) Land and Buildings

The library branches are operated out of Council owned or leased properties. The libraries at Box Hill, Nunawading, Vermont South and Blackburn are operated from Whitehorse Council controlled, owned and maintained buildings. The libraries at Doncaster, The Pines, Warrandyte and Bulleen are operated from buildings controlled, owned or leased by Manningham Council.

Note 6 People and Relationships

6.1 Board and Key Management Remuneration

(a) Names of persons holding the position of a Responsible Person at the Whitehorse Manningham Regional Library Corporation for the period 1 July 2018 to 30 June 2019.

Key Management Personnel

Councillors

Cr Prue Cutts - City Of Whitehorse
Cr Tina Liu City of Whitehorse
Cr Anna Chen - City of Manningham (to December 2018)
Cr Geoff Gough - City of Manningham (to December 2018)
Cr Dot Haynes (from December 2018)
Cr Mike Zafiropoulos AM (from December 2018)

Council Representatives

Ms Noelene Duff - City of Whitehorse
Mr Andrew Day - City of Manningham

Community Representatives

Ms Cathy Costa - City of Whitehorse (to May 2019)
Ms Saarah Ozeer - City of Manningham (to August 2018)
Mr Ian Keese - City of Manningham (from December 2018)

Chief Executive Officer

Ms Sally Both - Whitehorse Manningham Regional Library Corporation

(b) Remuneration of Key Management Personnel

Board Members who are Councillors and Officers nominated by the Member Councils do not receive remuneration from Whitehorse Manningham Regional Library Corporation.

	2019	2018
	$	$
Total remuneration of key management personnel was as follows:		
Short term benefit	179,959	177,692
Post-Employment Benefits	16,061	15,100
Other long-term benefits	4,192	4,192
	200,212	196,984

(b) Remuneration of Key Management Personnel (cont)

Total remuneration of key management personnel persons were within the following band:

	No.	No.
$190,000 - $199,999	-	1
$200,000 - $209999	1	
	1	1

(d) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of the Corporation who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds $148,000.

There were no Senior Officers other than the Responsible Person whose total annual remuneration exceeds $148,000.

6.2 Related party disclosure

(a) Transactions with related parties

During the period the Corporation did not enter into any transactions with related parties.

(b) Loans to/from related parties

No loans were made to or received from related parties

(c) Commitments to/from related parties

There are no commitments in existence at balance date.

(d) Other Transactions

Manningham and Whitehorse Councils provide library floor space to the Corporation. Any charges related to the leasing or maintenance of these branch libraries are not passed on to the Corporation. The Whitehorse Manningham Regional Library Corporation leases the headquarters space at the Box Hill and Nunawading branches for $68,200 (2017/2018 $68,200) per annum from City of Whitehorse on a year by year basis. There is no formal tenancy agreement so it is considered to be an open ended agreement and the charge is not at commercial rate.

Other related party transactions have been considered and there are no matters to report.

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

At the reporting date, the Corporation had no contingent assets (2017-18: Nil).

(b) Contingent liabilities

Superannuation

The Corporation has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 8.2. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Liability Mutual Insurance

The Corporation is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

7.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 reporting period. The Corporation has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to have no impact for the Corporation.

7.2 Change in accounting standards (cont.)

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term. The Corporation have no current leases.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

7.3 Financial instruments

(a) Objectives and policies

The Corporation's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability is disclosed in the financial statements. Risk management is carried out by senior management under policies approved by the Corporation. These policies include identification and analysis of the risk exposure to the Corporation and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Corporation's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

7.3 Financial instruments (cont.)

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. We manage interest rate risk by adopting an investment policy that ensures:

- diversification of investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

There has been no significant change in the Corporation's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Corporation's year end result.

(c) Credit Risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

The credit risk with receivables is very low as it relates to one member council.

There are no material financial assets which are individually determined to be impaired.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Corporation does not hold any collateral.

7.3 Financial instruments (cont)

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or we will not have sufficient funds to settle a transaction when required, we will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks the Corporation:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitor budget to actual performance on a regular basis

The Corporation's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet and the amounts related to financial guarantees disclosed, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in the Corporation's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Corporation believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.4%.

These movements will not have a material impact on the valuation of the Corporations' financial assets and liabilities, nor will they have a material impact on the results of the Corporations' operations.

7.4 Fair Value Measurement

Fair value hierarchy

The Corporations' financial assets and liabilities are not valued in accordance with the fair value hierarchy, the Corporation's financial assets and liabilities are measured at amortised cost.

7.5 Events occurring after balance date

There are no subsequent events of which the Corporation is aware, that would affect the information provided within these Financial Statements.

Note 8 Other matters

8.1 Reconciliation of cash flows from operating activities to surplus or deficit

Surplus for the year	187,243	(1,410,699)
Depreciation	1,194,734	1,171,710
(Profit)/Loss on Disposal of Fixed Assets	611,714	844,238
Changes in assets and liabilities		
(Decrease)/Increase in Receivables	(6,127)	8,913
(Decrease)/Increase in Accrued Income	3,173	317
(Decrease)/Increase in Prepayments	10,316	22,889
Increase/(Decrease) in Employee Costs	(40,506)	53,333
Increase/(Decrease) in Payables	(225,842)	213,007
Net cash provided by operating activities	1,734,705	903,708

8.2 Superannuation

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to Vision Super (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

8.2 Superannuation (cont)

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation). (2017/2018 9.5%)

Defined Benefit

The Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Whitehorse Manningham Regional Library Corporation the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

The Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 106.0%.

The financial assumptions used to calculate the VBIs were:

Net investment returns	6.5% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the estimated VBI at March 2019 was 105.4.%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

8.2 Superannuation (cont)

Employer contributions

Regular Contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, The Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the SG contribution rate.

In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Corporation) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Corporation is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

8.2 Superannuation (cont)

The Fund's actuarial investigations identified the following for the Defined Benefit category of which the Corporation is a contributing employer:

	2018 $m	2017 $m
• A VBI surplus	$131.90	$69.80
• A total service liability surplus	$218.30	$193.50
• A discounted accrued benefits surplus	$249.10	$228.80

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

The Corporation was notified of the 30 June 2018 VBI during August 2018.