

Eastern Regional Libraries 2019/20 FINANCIAL REPORT



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Part 1

ANNUAL FINANCIAL REPORT SUMMARY 2019/20

ANNUAL FINANCIAL REPORT SUMMARY

Our Annual Financial Report for the year ended 30 June 2020 follows after this brief explanatory summary.

INCOME FOR THE YEAR ENDED 30 JUNE 2020

Total income of \$13.7m is made up as follows:

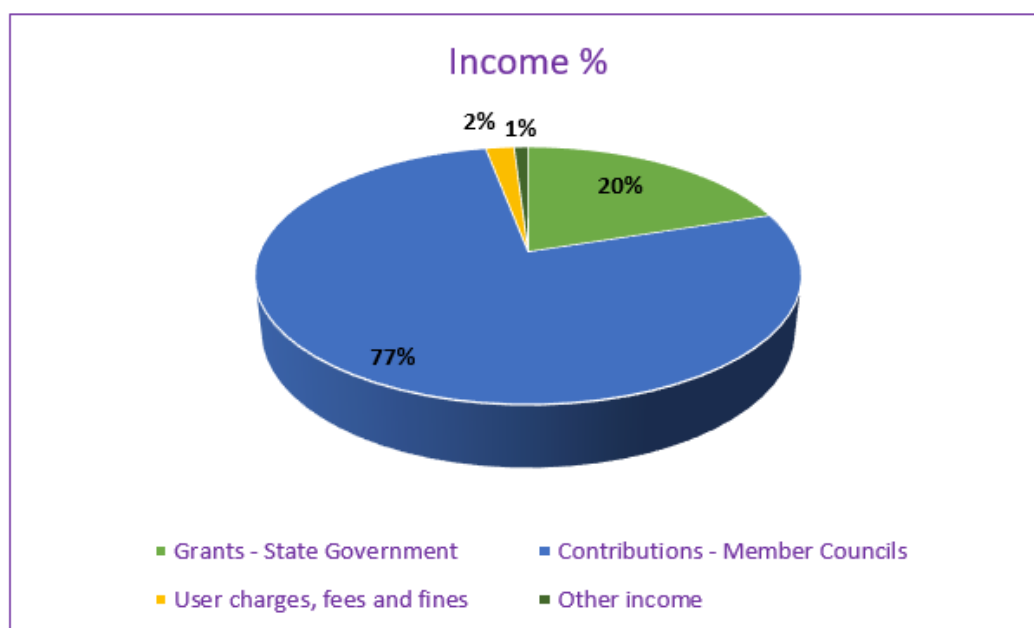
Income	2020	2019	2018	2017	2016	2015
Grants - State Government	2,801	2,748	2,692	2,652	2,618	2,558
Contributions - Member Councils	10,555	10,398	10,171	9,975	10,018	9,749
User charges, fees and fines	215	302	356	423	426	440
Other income	132	292	244	240	287	343
Total income	13,703	13,740	13,463	13,290	13,349	13,090

As can be seen from the graph below, our Member Councils contribute 77% directly to the total cost of running the Corporation.

This is before the Member Councils' other indirect costs are taken into account (i.e. cost of leasing, building maintenance, etc.).

The Corporation generates 3% of its income through user charges and investment income.

The State Government only contributes 20% to our highly valued community service.



State Government Grants

Our Public Library Grant increase for 2019/20 was 2.5%.

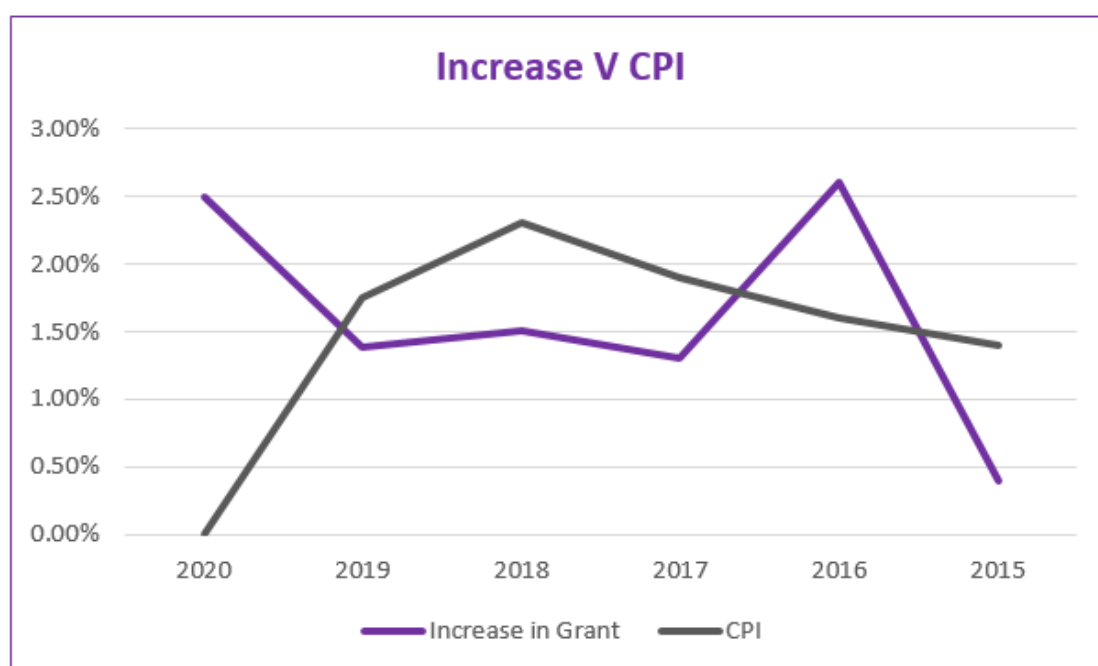
Knox, Maroondah and Yarra Ranges all received the same 2.5% increase.

This represents the first increase in real dollar terms of the level of support from the State Government since 2015.

State Government Public Library Grant	2020	2019	2018	2017	2016	2015
Knox	\$1,010,495	\$985,849	\$969,389	\$956,898	\$947,092	\$925,895
Maroondah	\$743,143	\$725,017	\$719,059	\$705,957	\$692,983	\$672,802
Yarra Ranges	\$982,942	\$958,968	\$944,581	\$931,129	\$919,312	\$895,350
Total - Grant	\$2,736,580	\$2,669,834	\$2,633,029	\$2,593,984	\$2,559,387	\$2,494,047

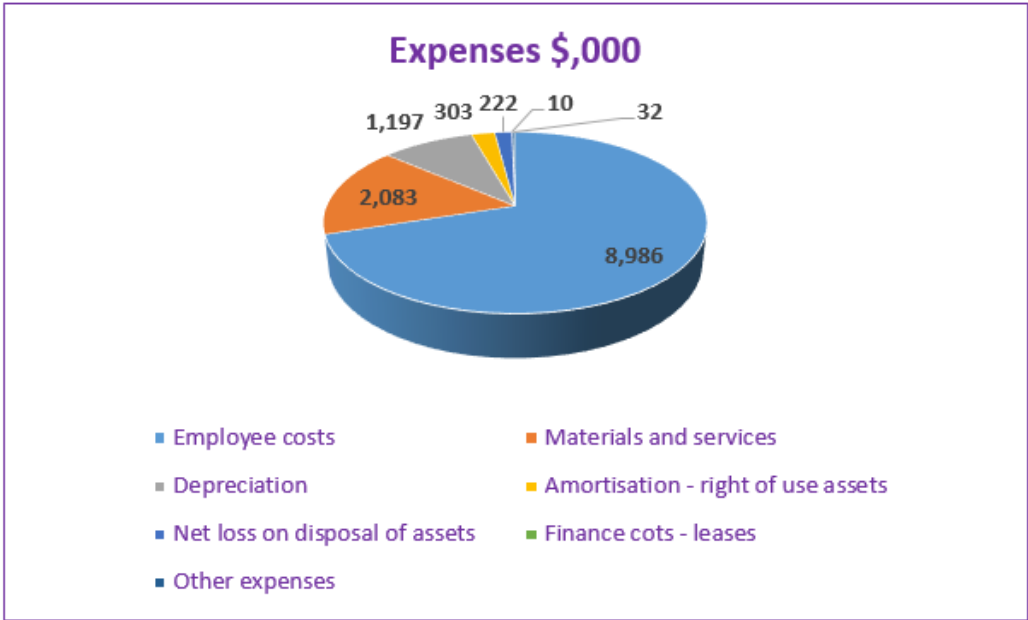
When compared to CPI for these years this level of the increase represents an opportunity for the State Government to address an overall decline in real dollar support for our communities over the six years.

	2020	2019	2018	2017	2016	2015
Increase in Grant	2.50%	1.38%	1.51%	1.30%	2.60%	0.40%
CPI	-0.3%	1.75%	2.30%	1.90%	1.60%	1.40%



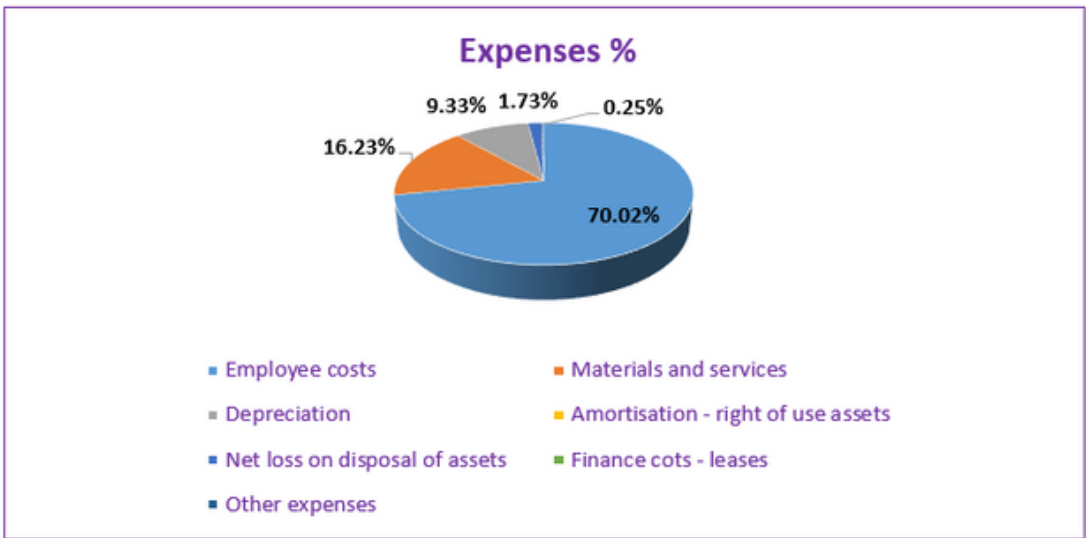
EXPENSES FOR THE YEAR ENDED 30 JUNE 2020

Total Expenses of \$12.8m are made up as follows:



Employee costs remain the highest expense factor for the Corporation, making up 70% of total expenses.

There overall increase in employee costs is mainly due to the percentage increase (2%) in respect of our Enterprise Agreement No. 9 [2017 – 2020].



BALANCE SHEET

The Balance Sheet is in a healthy position with Current Assets (\$10.5m) greater than Current Liabilities (\$2.8m). This means that the Corporation is in a position to meet all its liabilities, statutory or otherwise, including all short- and long-term employee benefits, which stand at \$2.2m.

Current Assets include Cash and Cash Equivalents of \$3.7m and Financial Assets of \$6.3 m, which are short and longer-term deposits with financial institutions.

CASH FLOWS

Cash Flows from operating activities (\$14.8m) were sufficient to meet payments (\$12.7m) during the year, and \$1.9m to meet capital expenditure on library materials. Cash at the end of the financial year remains healthy at \$6.3m.

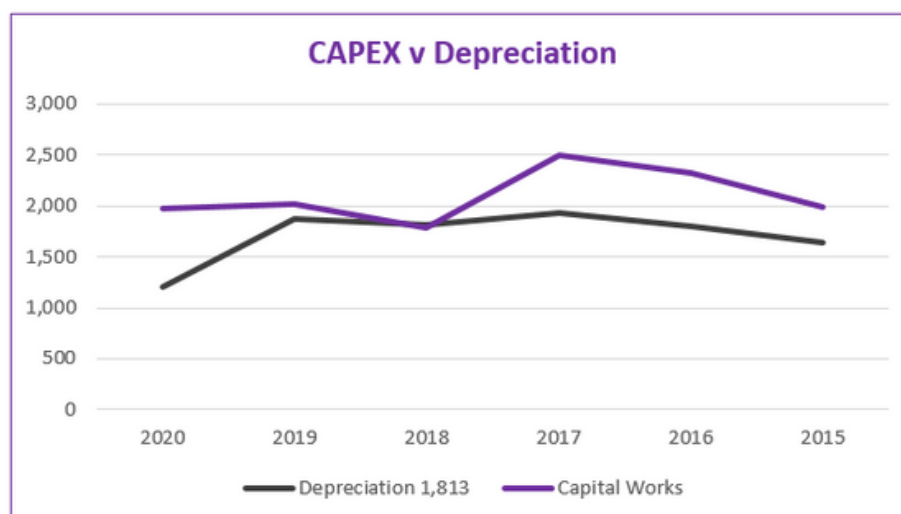
CAPITAL WORKS

Total capital expenditure of \$1.9m including:

Capital Works	2020	2019	2018	2017	2016	2015
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Plant		49		41	-	-
F & E	179	198	140	843	94	26
Library Materials	1,799	1,771	1,647	1,616	2,231	1,960
Total	1,978	2,018	1,787	2,500	2,325	1,986

The Corporation maintained its investment in assets (\$1.97m) above the write off for Depreciation (\$1.2m).

Depreciation	2020	2019	2018	2017	2016	2015
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
	1,197	1,869	1,813	1,938	1,798	1,634



FINANCIAL SUMMARY

Surplus

The Financial Report shows a surplus of \$.8m.

This better than budgeted outcome is mainly due to an overall reduction in employee costs due to vacant positions not filled until a staff restructure is finalised. This in addition to: a reduction in staff numbers; lower sick leave; no casual employees or overtime for April to June 2020: has led to lower than budgeted employee costs.

The overall result is due to the ongoing work to contain costs within the contributions provided by our Member Councils. For example, the Enterprise Agreement for the three years ending 30 June 2020 has a salary increase of 2% per annum which is in line with the rate capping environment faced by our Member Councils.

Other areas of expenditure are constantly under review and savings are constantly being sought and gained in the area of library systems and technology.

The Corporation will continue to review all its expenditure to ensure best value outcomes for its Member Councils.

Balance Sheet

The Balance Sheet is in a healthy position with Current Assets (\$10.5m) greater than Current Liabilities (\$2.8m). This means that the Corporation is in a position to meet all its liabilities, statutory or otherwise, including all short and long-term employee benefits, which stand at \$2.2m.

Current Assets include Cash and Cash Equivalents of \$6.3m and Financial Assets of \$3.8, which are short and longer-term deposits with financial institutions.

Cash Flow

Cash Flows from operating activities (\$14.8m) were sufficient to meet payments (\$12.7m) during the year, and \$1.9m to meet capital expenditure on library materials. Cash at \$10.1m remains healthy at 30 June 2020.

Equity

Equity has increased by \$.8m in line with the surplus achieved by the Corporation.

Capex v Depreciation

The Corporation maintained its investment in assets (\$1.9m) above the write off for Depreciation (\$1.2).

FINANCIAL POSITION

The continued focus of delivering highly rated services (see Biennial Survey results) in a cost-effective manner means the Corporation is in a strong financial position to continue its library services on behalf of its Member Councils.

The Corporation is capable of meeting all its liabilities, statutory or otherwise, including all short and long-term employee benefits and any call for unfunded superannuation liability as a result of the performance of the Defined Benefits Scheme.

In addition, the Corporation can now fund its longer-term investment in IT and RFID equipment without relying on leasing. This will mean first-class IT infrastructure and services for the communities that the Corporation services on behalf of its Member Councils.

Part 2

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

EASTERN REGIONAL LIBRARIES CORPORATION

FINANCIAL REPORT

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EASTERN REGIONAL LIBRARIES CORPORATION**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 (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.



JOSEPH P CULLEN
PRINCIPAL ACCOUNTING OFFICER

DATED AT SCORESBY ON THIS 30th DAY OF SEPTEMBER 2020

In our opinion, the accompanying financial statements present fairly the financial transactions of the Eastern Regional Libraries Corporation (ERLC) for the year ended 30 June 2020 and the financial position of the ERLC as at that date.

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

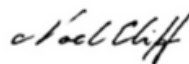
We have been authorised by the Board of the Corporation and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

CR JOHN MORTIMORE



ERLC BOARD MEMBER

CR NOEL CLIFF



ERLC BOARD MEMBER

JOSEPH P CULLEN



CHIEF EXECUTIVE OFFICER

DATED AT SCORESBY ON THIS 30th DAY OF SEPTEMBER 2020



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Eastern Regional Libraries Corporation

Opinion	<p>I have audited the financial report of Eastern Regional Libraries Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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. • 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 the corporation's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
8 October 2020



Sarichu Chummar

as delegate for the Auditor-General of Victoria

EASTERN REGIONAL LIBRARIES CORPORATION

COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000s	2019 \$'000s
Income			
Grants - operating	2.1(a)	2,801	2,749
Contributions - monetary	6.2(a)	10,555	10,398
User charges, fees and fines		215	301
Other income	2.3	<u>132</u>	<u>292</u>
Total income		<u>13,703</u>	<u>13,740</u>
Expenses			
Employee costs	3.1(a)	(8,986)	(8,670)
Materials and services	3.2	(2,083)	(1,876)
Depreciation	3.3, 5.1	(1,197)	(1,869)
Amortisation - right of use assets	3.4	(303)	-
Net (loss) on disposal of plant, furniture, equipment and library materials	2.2	(222)	(477)
Finance costs - leases	3.5	(10)	-
Other expenses	3.6	<u>(32)</u>	<u>(349)</u>
Total expenses		<u>(12,833)</u>	<u>(13,241)</u>
Surplus for the year		<u>870</u>	<u>499</u>
Total comprehensive result		<u>870</u>	<u>499</u>

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

EASTERN REGIONAL LIBRARIES CORPORATION

BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 \$'000s	2019 \$'000s
Assets			
Current assets			
Cash and cash equivalents	4.1(a)	6,384	3,184
Trade and other receivables	4.1(c)	279	79
Other financial assets	4.1(b)	3,750	7,150
Other assets	4.2	140	33
Total current assets		<u>10,553</u>	<u>10,446</u>
Non-current assets			
Trade and other receivables	4.1(c)	8	8
Plant, furniture, equipment and library materials	5.1	5,645	5,087
Right-of-use assets	4.6	300	-
Total non-current assets		<u>5,953</u>	<u>5,095</u>
Total Assets		<u>16,506</u>	<u>15,541</u>
Liabilities			
Current liabilities			
Trade and other payables	4.3(a)	423	670
Unearned income	4.3(b)	24	-
Provisions	4.4(a)	2,191	2,164
Lease liabilities	4.6	129	-
Total current liabilities		<u>2,767</u>	<u>2,834</u>
Non-current liabilities			
Provisions	4.4(a)	43	55
Lease liabilities	4.6	174	-
Total non-current liabilities		<u>217</u>	<u>55</u>
Total Liabilities		<u>2,984</u>	<u>2,889</u>
Net Assets		<u>13,522</u>	<u>12,652</u>
Equity			
Members' equity based on initial contributions	4.7	3,689	3,689
Accumulated surplus		9,833	8,963
Total Equity		<u>13,522</u>	<u>12,652</u>

The above balance sheet should be read in conjunction with the accompanying notes.

EASTERN REGIONAL LIBRARIES CORPORATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Total \$'000s	Accumulated Surplus \$'000s	Members' Equity \$'000s
2020			
Balance at beginning of the financial year	12,651	8,963	3,689
Surplus for the year	<u>870</u>	<u>870</u>	<u>-</u>
Balance at end of the financial year	<u>13,521</u>	<u>9,833</u>	<u>3,689</u>
2019			
Balance at beginning of the financial year	12,152	8,464	3,689
Surplus for the year	<u>499</u>	<u>499</u>	<u>-</u>
Balance at end of the financial year	<u>12,651</u>	<u>8,963</u>	<u>3,689</u>

There was no impact of transition to the new standards on retained earnings at 1 July 2019 (refer to Note 9).

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

EASTERN REGIONAL LIBRARIES CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Inflows/ (Outflows) \$'000s	2019 Inflows/ (Outflows) \$'000s
Cash flows from operating activities			
Receipts			
Grants - operating		2,826	2,751
Contributions - monetary		11,611	11,438
User charges, fees and fines		231	322
Interest received		165	218
Other receipts		25	39
		<u>14,858</u>	<u>14,768</u>
Payments			
Employee costs		(8,952)	(8,419)
Materials and services		(2,702)	(1,942)
Net GST payment		(1,086)	(539)
Short-term, low value and variable lease payments		(23)	-
Other payments		(4)	(425)
		<u>(12,767)</u>	<u>(11,325)</u>
Net cash provided by operating activities	8.1	<u>2,091</u>	<u>3,443</u>
Cash flows from investing activities			
Payments for plant, furniture, equipment and library materials		(1,981)	(2,019)
Proceeds from sale of plant and equipment		-	9
Proceeds from disposal of financial assets		7,150	7,150
Purchase of financial assets		(3,750)	(7,150)
Net cash used in investing activities		<u>1,419</u>	<u>(2,010)</u>
Cash flows from financing activities			
Interest paid - lease liability		(10)	-
Repayment of lease liabilities		(300)	-
Net cash used in financing activities		<u>(310)</u>	<u>(2,010)</u>
Net Increase in cash and cash equivalents		3,200	1,434
Cash and cash equivalents at the beginning of financial year		<u>3,184</u>	<u>1,751</u>
Cash and cash equivalents at the end of the financial year	4.1(a)	<u>6,384</u>	<u>3,184</u>

The above statement of cash flows should be read with the accompanying notes.

EASTERN REGIONAL LIBRARIES CORPORATION NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Overview

Introduction

The Eastern Regional Libraries Corporation (ERLC) was established by an Order of the Governor in Council on the 14th of June 1996 and is a body corporate. The Corporation's main office is located at 1350 Ferntree Gully Road, Scoresby, Victoria, 3179.

The purpose of the Corporation is to:

- provide resources and programs aimed at meeting the information, recreation, educational and cultural needs of the diverse communities of Knox, Maroondah and Yarra Ranges in an equitable, effective, efficient, responsive and forward looking manner in accordance with the values and objectives of the Library Plan;
- provide or ensure the provision of, subject to any conditions attached to any State government library subsidies and grants to the Regional Library or the Councils, a regional library service for Councils' municipal districts as determined by the Board; and
- make Local Laws relating to the Regional Library; perform any other functions which are conferred on the Regional Library under this Agreement or the Act, including defining overall policy objectives, developing strategic policy, letting tenders for the provision of services, monitoring contracts under which services are provided, and approving a corporate plan and an annual service plan.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), 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, income 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.

**EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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 on plant, furniture, equipment and library materials (refer to Note 5.1)
- 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 (except where transitional requirements of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Performance against budget

The budget comparison notes compare ERLC's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. ERLC has adopted a materiality threshold of the lower of 10% or \$150,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered material because of its nature.

The budget figures detailed below are those adopted by ERLC on 23 May 2019. The budget was based on assumptions that were relevant at the time of adoption of the budget. ERLC sets guidelines and parameters for income and expense targets in this budget in order to meet ERLC's planning and financial performance targets for both the 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 2020 \$'000s	Actual 2020 \$'000s	Variance 2020 \$'000s	Variance %	Ref
Income					
Grants - operating	2,697	2,801	104	4%	
Contributions - monetary	10,657	10,555	(102)	-1%	
User charges, fees and fines	315	215	(100)	-32%	1
Other income	235	132	(103)	-44%	2
Total income	13,904	13,703	(201)	-	
Expenses					
Employee costs	(9,269)	(8,986)	283	-3%	3
Materials and services	(2,218)	(2,083)	135	-6%	
Depreciation	(1,831)	(1,197)	634	-35%	4
Amortisation - Right of use assets	-	(303)	(303)	100%	5
Net gain/(loss) on disposal of plant, furniture, equipment and library materials	(179)	(222)	(43)	24%	6
Finance costs - Leases	-	(10)	(10)	100%	7
Other expenses	(405)	(32)	373	-92%	8
Total expenses	(13,902)	(12,833)	1,069	-	
Surplus for the year	2	870	868	515	

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User charges, fees and fines	The closure of the Libraries during due to the COVID-19 pandemic, has reduced the amount of user fees received including print and copy charges and extension activities. To support the community during the COVID-19 pandemic, fines and charges were waived in the June quarter.
2	Other income	Reduced interest rates during the 2019-20 financial year resulted in lower investment income. Due to the global economic conditions and the uncertainty of Library branches remaining open during the COVID-19 restrictions, a reduced number of investments were made for cash flow purposes.
3	Employee costs	The decreased demand and government directive to close library branches during the COVID-19 crisis, resulted in reduced work for casual employees and lower weekend overtime costs.
4	Depreciation	The amortisation of right of use assets was budgeted under Depreciation but was allocated to Amortisation - Right of use assets. Further to this, a lower number of library materials was capitalised and depreciated than originally anticipated when preparing the 2019-20 budget.
5	Amortisation - Right of use assets	The amortisation of Right of use assets was budgeted under Depreciation but was allocated to Amortisation - Right of use assets.
6	Net (gain)/loss on disposal of plant, furniture, equipment and library materials	A higher number of library materials was disposed of than originally anticipated when preparing the 2019-20 budget.
7	Finance costs - Leases	The capitalisation of existing operating leases under AASB 16, has resulted in the recognition of lease finance costs.
8	Other expenses	Lease expenses paid for the office premises and IT equipment were budgeted under Other expenses but were allocated to the right of use asset lease liability per AASB 16.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
Note 2 Funding for the delivery of our services		
2.1 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
State funded grants	2,796	2,733
Commonwealth funded grants	5	15
Total grants received	<u>2,801</u>	<u>2,748</u>
(a) Operating Grants		
Recurrent - State Government		
Public Libraries Grant Program	2,737	2,672
Premiers' Reading Challenge	58	58
Total recurrent operating grants	<u>2,795</u>	<u>2,730</u>
Non-Recurrent - Commonwealth Government		
Be Connected Grant	5	15
Non-Recurrent - State Government		
Children's Week	1	-
Pride Events and Festivals Fund	-	3
Total non-recurrent operating grants	<u>6</u>	<u>18</u>
Total operating grants	<u>2,801</u>	<u>2,748</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	24	-
Received in prior years and spent during the financial year	-	-
Balance at year end	<u>24</u>	<u>2,730</u>

Grant income is recognised at the point in time when ERLC satisfies its performance obligations as specified in the underlying agreement.

2.2 Net (loss) on disposal of plant, furniture, equipment and library materials

Proceeds of sale	-	8
Written down value of assets disposed	(222)	(485)
Total (loss) on disposal of plant, furniture, equipment and library materials	<u>(222)</u>	<u>(477)</u>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

2.3 Other income

Interest	106	230
Other	26	62
Total other income	<u>132</u>	<u>292</u>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when ERLC gains control over the right to receive the income.

EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
Note 3 The cost of delivering services		
3.1 (a) Employee costs		
Wages and salaries	7,343	6,901
Annual leave	668	672
Superannuation	705	652
Long service leave	199	350
Fringe benefits tax	23	27
WorkCover	48	68
Total employee costs	<u>8,986</u>	<u>8,670</u>
3.1 (b) Superannuation		
ERLC made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	172	190
Employer contributions - other funds	<u>-</u>	<u>-</u>
	<u>172</u>	<u>190</u>
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	498	483
Employer contributions - other funds	<u>44</u>	<u>-</u>
	<u>542</u>	<u>483</u>
Employer contributions payable at reporting date	38	38

Refer to Note 8.2 for further information relating to ERLC's superannuation obligations.

EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
3.2 Materials and services		
Office administration	688	713
Information technology	421	450
Library Consumables	615	433
Contract payments	136	106
Insurance	95	71
Repairs and maintenance	104	69
Consultants	12	16
Utilities	12	18
Total material and services	<u>2,083</u>	<u>1,876</u>
3.3 Depreciation		
Library materials	1,026	1,725
Furniture and equipment	162	134
Plant	9	10
Total depreciation	<u>1,197</u>	<u>1,869</u>
Refer to note 5.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.		
3.4 Amortisation - Right of use assets		
Property	113	-
Information Technology	190	-
Total Amortisation - Right of use assets	<u>303</u>	<u>-</u>
3.5 Finance Costs - Leases		
Interest - Lease Liabilities	10	-
Total finance costs	<u>10</u>	<u>-</u>
3.6 Other expenses		
Lease outgoings	16	340
Short-term leases	7	-
Auditors' remuneration - VAGO - audit of the financial statements	9	9
Total other expenses	<u>32</u>	<u>349</u>

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
Note 4 Our financial position		
4.1 Financial assets		
(a) Cash and cash equivalents		
Cash at bank	6,383	3,181
Cash on hand	<u>1</u>	<u>3</u>
Total cash and cash equivalents	<u>6,384</u>	<u>3,184</u>
ERLC's cash and cash equivalents are not subject to any external restrictions that limit amounts available for discretionary use.		
(b) Other financial assets		
Term deposits	<u>3,750</u>	<u>7,150</u>
Total other financial assets	<u>3,750</u>	<u>7,150</u>
Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts (if applicable).		
Financial assets including investments such as term deposits are held to maturity and measured at amortised cost.		
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Net GST receivable	259	-
<i>Non statutory receivables</i>		
Accrued interest	<u>20</u>	<u>79</u>
Total current trade and other receivables	<u>279</u>	<u>79</u>
Non-Current		
<i>Non statutory receivables</i>		
Security deposit	<u>8</u>	<u>8</u>
Total non-current trade and other receivables	<u>8</u>	<u>8</u>
Total trade and other receivables	<u>287</u>	<u>87</u>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

No provision has been made for doubtful debts.

**EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 \$'000s	2019 \$'000s
4.2 Non-financial assets		
Other assets		
Prepayments	140	33
Total other assets	140	33
4.3(a) Payables		
Trade and other payables		
Net GST payable	-	162
Salaries accruals	161	139
Accrued expenses	77	70
Trade payables	185	299
Total trade and other payables	423	670
(b) Unearned income		
Grants received in advance - operating	24	-
Total unearned income	24	-

EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4.4 Provisions

	Annual Leave \$'000s	Long Service Leave \$'000s	Total \$'000s
2020			
Balance at beginning of the financial year	794	1,425	2,219
Additional provisions	87	202	289
Amounts used	(62)	(204)	(267)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(14)	7	(7)
Balance at the end of the financial year	805	1,430	2,234
2019			
Balance at beginning of the financial year	741	1,240	1,981
Additional provisions	651	378	1,029
Amounts used	(594)	(185)	(779)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(4)	(8)	(12)
Balance at the end of the financial year	794	1,425	2,219

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	355	340
Long service leave	195	142
	<u>550</u>	<u>482</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	450	454
Long service leave	1,191	1,228
	<u>1,641</u>	<u>1,682</u>
Total current employee provisions	<u>2,191</u>	<u>2,164</u>
Non-current		
Long service leave	43	55
Total non-current employee provisions	<u>43</u>	<u>55</u>
Aggregate carrying amount of employee provisions:		
Current	2,191	2,164
Non-current	43	55
Total aggregate carrying amount of employee provisions	<u>2,234</u>	<u>2,219</u>

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

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.

	2020	2019
Key Assumptions - AL		
- Weighted average discount rate	0.14%	0.55%
- Weighted average index rate	2.00%	2.50%
Key Assumptions - LSL		
- Weighted average discount rate - current	0.49%	0.98%
- Weighted average discount rate - non-current	0.36%	1.03%
- Weighted average index rate - current	2.00%	2.50%
- Weighted average index rate - non-current	2.00%	2.50%

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

4.5 Commitments

ERLC has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

	Not later than 1 year \$'000s	Later than 1 year and not later than 2 years \$'000s	Later than 2 years and not later than 5 years \$'000s	Later than 5 years \$'000s	Total \$'000s
2020					
Capital					
Library materials	-	-	-	-	-
Total	-	-	-	-	-
2019					
Capital					
Library materials	1	-	-	-	1
Total	1	-	-	-	1

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

4.6 Leases

Policy applicable before 1 July 2019

As a lessee, ERLC classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to ERLC.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Policy applicable after 1 July 2019

ERLC has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The ERLC applied the approach consistently to all leases in which it is a lessee.

On transition to AASB 16 Leases, ERLC elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The ERLC has applied this practical expedient to all of its contracts and therefore applied AASB 16 Leases only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, ERLC recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, ERLC uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that ERLC is reasonably certain to exercise, lease payments in an optional renewal period if ERLC is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless ERLC is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ERLC has elected to apply the temporary option available under AASB 16 Leases which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Right-of-use assets

	Property \$'000	IT Equipment \$'000	Total \$'000
Balance at 1 July 2019	397	206	603
Additions	-	-	-
Amortisation charge	(113)	(190)	(303)
Balance at 30 June 2020	284	16	300

Lease liabilities

	2020 \$'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	133
One to five years	182
More than five years	-
Total undiscounted lease liabilities as at 30 June	315
Lease liabilities included in Balance Sheet at 30 June:	
Current	129
Non-current	174
Total lease liabilities	303

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Short-term and low value leases

ERLC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. ERLC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020 \$'000
Expenses relating to:	
Short-term leases	7
Leases of low value assets	-
Total	-
Variable lease payments (not included in measurement of lease liabilities)	-

ERLC does not currently have any non-cancellable lease commitments which are short-term or low value leases.

i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at ERLC's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. ERLC applied this approach to all applicable leases.

ERLC used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117 Leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

ii. Leases previously classified as finance leases

ERLC did not hold any finance leases under *AASB 117 Leases*, at 30 June 2019.

Impact on financial statements

On transition to AASB 16 Leases, ERLC recognised an additional \$596,792 of right-of-use assets and \$596,792 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, ERLC discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.20%.

	2019 \$'000s
Operating lease commitment at 30 June	548
Adjustment to 30 June 2019 operating lease commitment due to annual	84
Discounted using the incremental borrowing rate at 1 July 2019	(18)
Finance lease liability recognised as at 30 June 2019	614
Recognition exemption for:	
short-term leases	11
leases of low-value assets	-
Extension and termination options reasonably certain to be exercised	-
Residual value guarantees	-
Lease liabilities recognised as at 1 July 2019	603

**EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 \$'000s	2019 \$'000s
4.7 Members' equity (ownership interest)		
The Net Assets of the joint venture:	<u>3,689</u>	<u>3,689</u>
 The percentage equity share of making up this joint venture is as follows:	 %	 %
Yarra Ranges Shire Council	38.72	38.72
Knox City Council	36.39	36.39
Maroondah City Council	<u>24.89</u>	<u>24.89</u>
	<u>100.00</u>	<u>100.00</u>

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Note 5 Assets we manage

5.1 Plant, furniture, equipment and library materials

Summary of plant, furniture, equipment and library materials

	Written Down Value 30 June 2019 \$'000s	Additions \$'000s	Depreciation \$'000s	Disposal \$'000s	Written Down Value 30 June 2020 \$'000s
2020					
Library materials	4,284	1,799	(1,026)	(223)	4,834
Furniture and equipment	728	179	(162)	-	745
Plant	75	-	(9)	-	66
	5,087	1,978	(1,197)	(223)	5,645
	Written Down Value 30 June 2018 \$'000s	Additions \$'000s	Depreciation \$'000s	Disposal \$'000s	Written Down Value 30 June 2019 \$'000s
2019					
Library materials	4,709	1,771	(1,725)	(471)	4,284
Furniture and equipment	664	198	(134)	-	728
Plant	48	49	(10)	(12)	75
	5,421	2,018	(1,869)	(484)	5,087

EASTERN REGIONAL LIBRARIES CORPORATION
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FOR THE YEAR ENDED 30 JUNE 2020

Asset recognition thresholds and depreciation periods	Depreciation Period	Threshold Limit \$'000s
Plant, furniture and equipment		
Furniture and equipment	3-10 years	2,000
Plant	6-10 years	2,000
Library materials		
Paperbacks	3 years	-
Audio cassettes	3 years	-
eBooks	3 years	-
Audio books	4 years	-
Games	4 years	-
CD rom	4 years	-
Videos and DVDs	6 years	-
Library books and other hardbacks	8 years	-
Adult and junior reference	10 years	-

Library books and other assets withdrawn from circulation and consequently disposed are written back against accumulated depreciation and cost based on an average cost of books.

Assets contributed by Member Councils on formation of ERLC were valued at fair value being the value assigned to the assets by those Councils.

2020
\$'000s

Detailed Breakdown of plant, furniture, equipment and library materials

Plant

At cost 1 July 2019	90
Accumulated depreciation at 1 July 2019	(15)
	<u>75</u>

Movements in cost

Acquisition of assets at cost	-
Cost of assets disposed	-
	<u>-</u>

Movements in accumulated depreciation

Depreciation and amortisation	(9)
Accumulated depreciation of disposals	-
	<u>(9)</u>

At cost 30 June 2020	90
Accumulated depreciation at 30 June 2020	(24)
Written down value of plant	<u>66</u>

EASTERN REGIONAL LIBRARIES CORPORATION
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	\$'000s
Detailed Breakdown of plant, furniture, equipment and library materials (Continued)	
<u>Furniture and equipment</u>	
At cost 1 July 2019	1,990
Accumulated depreciation at 1 July 2019	(1,262)
	<u>728</u>
Movements in cost	
Acquisition of assets at cost	179
Cost of assets disposed	-
	<u>179</u>
Movements in accumulated depreciation	
Depreciation and amortisation	(162)
Accumulated depreciation of disposals	-
	<u>(162)</u>
At cost 30 June 2020	2,169
Accumulated depreciation at 30 June 2020	(1,424)
Written down value of furniture and equipment	<u>745</u>
<u>Library materials</u>	
At cost 1 July 2019	10,386
Accumulated depreciation at 1 July 2019	(6,102)
	<u>4,284</u>
Movements in cost	
Acquisition of assets at cost	1,799
Cost of assets disposed	(1,054)
	<u>745</u>
Movements in accumulated depreciation	
Depreciation and amortisation	(1,026)
Accumulated depreciation of disposals	831
	<u>(195)</u>
At cost 30 June 2020	11,131
Accumulated depreciation at 30 June 2020	(6,297)
Written down value of library materials	<u>4,834</u>
Total written down value of plant, furniture, equipment, library materials and right of use assets	<u>5,645</u>

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

In accordance with ERLC's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Depreciation and amortisation

All plant, furniture, equipment, library materials and intangible assets having limited useful lives are systematically depreciated over their useful life to ERLC in a manner that reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement to 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.

Note 6 People and relationships

6.1 ERLC and key management remuneration

(a) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Peter Lockwood
Councillor John Mortimore
Councillor Tasa Damante
Councillor Kylie Spears
Councillor Len Cox
Councillor Noel Cliff

Knox City Council
Knox City Council
Maroondah City Council
Maroondah City Council
Yarra Ranges Shire Council
Yarra Ranges Shire Council

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	2020 No.	2019 No.
Total Number of Councillors	6	7
Chief Executive Officer and other Key Management Personnel	1	1
Total Key Management Personnel	7	8

Board Members are Councillors of Member Councils who receive no remuneration from ERLC for their services.

	2020 \$'000	2019 \$'000
(b) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	213	213
Long-term benefits	-	-
Post employment benefits	-	-
Termination benefits	-	-
Total	213	213

The numbers of key management personnel whose total remuneration from ERLC, fall within the following bands:

	2020 No.	2019 No.
<\$209,999	-	-
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	-	-
	1	1

(c) Senior Officer remuneration

A Senior Officer is an officer of ERLC, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000 (\$148,000 in 2018-19)

The number of Senior Officers are shown below in their relevant income bands:

	2020 No.	2019 No.
Income Range:		
< \$109,999	-	-
\$110,000 - \$144,999	3	2
	3	2

	2020 \$'000	2019 \$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	401	287

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
6.2 Related party disclosure		
(a) Transactions with related parties		
(i) Contributions		
Monetary contributions		
Knox City Council	4,282	4,178
Yarra Ranges Shire Council	3,609	3,621
Maroondah City Council	2,664	2,599
Total monetary contributions	<u>10,555</u>	<u>10,398</u>

Contributions from the above three Councils are received in approximately equal quarterly instalments throughout the year. Contributions are received during the months of July, October, January and April.

Monetary and non monetary contributions are recognised as revenue when ERLC obtains control over the contributed asset.

(ii) Financial and payroll services

Financial and Payroll Services

Accounting Services	80	57
Payroll Services	56	49
Total financial and payroll services	<u>136</u>	<u>106</u>

Financial and Payroll Services are provided by Knox City Council to ERLC in accordance with the current Service Agreement.

(b) Outstanding balances with related parties

There were no reportable balances outstanding at the end of the reporting period in relation to transactions with related parties.

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by ERLC to a related party during the reporting year.

(d) Commitments to/from related parties

No transactions other than the Council contributions, remuneration payments or the reimbursement of approved expenses were entered into by ERLC with related parties during the reporting year.

**EASTERN REGIONAL LIBRARIES CORPORATION
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

Defined benefit superannuation scheme

ERLC 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.

Contingent liabilities arising from public liability

ERLC is occasionally met with claims and demands allegedly arising from incidents that occur on premises used by the ERLC. The ERLC carries \$600 million of public liability insurance and has an excess of \$2,500 per claim on this policy. Therefore, the maximum liability of the ERLC in any single claim is the extent of the excess. The primary insurer is MAV insurance. There are no claims that ERLC is aware of which would fall outside the terms of the ERLC's policy.

ERLC is not aware of other contingent liabilities or contingent assets as at 30 June 2020.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

7.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. ERLC has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

AASB 1059 Service Concession Arrangements:

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the ERLC's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the ERLC is not a grantor in a service concession arrangement.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

EASTERN REGIONAL LIBRARIES CORPORATION NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

7.3 Financial instruments

(a) Objectives and policies

ERLC's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), and payables (excluding statutory payables). 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, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by ERLC. These policies include identification and analysis of the risk exposure to ERLC and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of ERLC financial instruments will fluctuate because of changes in market prices. ERLC'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.

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. ERLC 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. ERLC has minimal exposure to cash flow interest rate risk through its cash and deposits that are at a floating rate.

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

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

Investment maturities will be scheduled to coincide with projected cash flow needs, to provide for interest rate variations, and to minimise interest rate risk.

There has been no significant change in ERLC'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 ERLC's year end result.

EASTERN REGIONAL LIBRARIES CORPORATION NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause ERLC to make a financial loss. ERLC have exposure to credit risk on some financial assets included in the Balance Sheet. To help manage this risk, ERLC:

- only invest surplus funds with financial institutions which have a recognised credit rating specified in its investment policy.

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

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount as disclosed in the Balance Sheet and notes to the financial statements. ERLC does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of ERLC's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or 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, ERLC:

- follows an investment policy which specifies the need to meet ERLC's daily cash flow requirements;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitors budget to actual performance on a regular basis.

ERLC's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in ERLC'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, ERLC 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 a rate of 0.80% which is ERLC's weighted average interest rate for investments for the financial year.

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

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

7.4 Fair value measurement

Fair value hierarchy

ERLC does not have any financial assets that are measured at fair value subsequent to initial recognition.

Impairment of assets

At each reporting date, ERLC reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Comprehensive Income Statement.

7.5 Impact of COVID-19 crisis on the Eastern Regional Library Corporation operations and the 2019-20 financial report

On 11 March 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. The State of Victoria subsequently declared a State of Emergency on 16 March 2020. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted ERLC operations. Forgone income and expenditure totaling \$200K has been incurred directly, to deal with the impact of COVID-19 within ERLC in the year ended 30 June 2020. This included the following areas:

Library closure periods

In response to significant decrease in demand / government directive amidst the COVID-19 outbreak, the library branches have undergone closure periods during the financial year and continued to operate in the following manner:

- Click for Home Delivery is a free postal service that allows the community to keep on borrowing. \$77.6K in postage and courier costs were incurred to facilitate this program.
- The reduced foot traffic into library branches, has reduced user fees including print and copy charges and meeting room hire fees by \$39K.
- ERLC stopped conducting in-house events and moved to online webinars, and events for the community to participate in at no charge. This has reduced extension activity income by \$17.4K.

Community assistance

- ERLC made the decision to waive fines and charges in the quarter ended 30 June 2020. This resulted in a decrease in ERLC's fines and charges revenue of \$43.6K.

7.6 Events occurring after balance date

In response to the ongoing COVID-19 crisis, The State of Victoria declared a State of Disaster and enforced Stage 4 restrictions from 6pm on Sunday 2 August 2020 for metropolitan Melbourne. The Department of Health and Human Services have advised restrictions will continue to be reviewed and updated as required in response to the COVID-19 pandemic.

This is a non-adjusting event for the ERLC annual Financial Statements for the year ended 30 June 2020.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$'000s	2019 \$'000s
Note 8 Other matters		
8.1 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	870	499
Items not involving cash		
Depreciation/amortisation	1,500	1,869
Loss on disposal of plant and equipment	222	477
Change in assets and liabilities:		
Increase/(decrease) in employee provisions	15	238
Increase/(decrease) in trade and other payables	(91)	395
Increase/(decrease) in accrued interest	(59)	(35)
(Increase)/decrease in prepayments	(107)	(1)
(Increase)/decrease in trade and other receivables	(259)	-
Net cash provided by operating activities	<u>2,091</u>	<u>3,443</u>

8.2 Superannuation

ERLC makes all of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

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).

Defined Benefit

ERLC 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 ERLC in 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.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Funding Arrangements

ERLC 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 ERLC is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

- Net investment returns 6.0% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.0% pa

Vision Super has advised that the estimated VBI at quarter ended 30 June 2020 was 104.6%. The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 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.

Employer contributions

Regular contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, ERLC 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, ERLC 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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including ERLC) 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 the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

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.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO AND PART OF FORMING THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which ERLC 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.

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

	2018	2017
	\$m	\$m
- A VBI Surplus	131.9	69.8
- A total service liability surplus	218.3	193.5
- A discounted accrued benefits surplus	249.1	228.8

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.

ERLC was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

Contributions by ERLC (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020 \$,000	2019 \$,000
Vision super	Defined benefit	9.50%	172	190
Vision super	Accumulation fund	9.50%	498	483
Other funds	Accumulation fund	9.50%	44	12

There were \$Nil contributions outstanding and \$Nil loans issued from or to the above schemes as at 30

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$0.16 million.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Note 9 Change in accounting policy

ERLC has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by ERLC in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

(a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where ERLC provides services or goods under contractual arrangements.

ERLC adopted AASB 15 Revenue from Contracts with Customers using the modified (cumulative catch up) method. Revenue for 2019 as reported under AASB 118 Revenue is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as ERLC satisfies the performance obligations under the contract.

(b) AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. ERLC has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

(c) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

ERLC adopted AASB 1058 Income of Not-for-Profit Entities using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as ERLC satisfies the performance obligations under the contract.

EASTERN REGIONAL LIBRARIES CORPORATION

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

(d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019:

	2019 \$'000
Retained earnings at 30 June 2019	8,963
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	-
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	-
Retained earnings at 1 July 2019	8,963

ERLC adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.

The following table summarises the impacts of transition to the new standards on ERLC's balance sheet for the year ending 30 June 2019:

	As reported 30 June 2019 \$'000	Adjustments 1 July 2019 \$'000	Post adoption 1 July 2019 \$'000
Assets			
Right of use assets	-	603	603
Grants receivable	-	-	-
	-	603	603
Liabilities			
Unearned income - operating grants	-	24	24
Unearned income - capital grants	-	-	-
Lease liability - current	-	129	129
Lease liability - non-current	-	174	174
	-	303	303

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Visit us

Maroondah Libraries

Croydon Library

Civic Square
Croydon, 3136

Realm Library

Ringwood Town Square
179 Maroondah Hwy
Ringwood, 3134

Knox Libraries

Bayswater Library

Shop 26, Ground Floor
Mountain High Shopping Centre
7-13 High Street

Bayswater, 3153

Boronia Library

Park Crescent
Boronia, 3155

Ferntree Gully Library

1010 Burwood Hwy
Ferntree Gully, 3156

Knox Library

Westfield Knox
425 Burwood Hwy
Wantirna South, 3152

Rowville Library

Stud Park Shopping Centre
Stud Road

Rowville, 3178

Knox Outreach Vehicle

Yarra Ranges Libraries

Belgrave Library

Reynolds Lane
Belgrave, 3160

Healesville Library

110 River Street
Healesville, 3777

Lilydale Library

Building LA, Box Hill Institute,
Lilydale Lakeside Campus
Jarlo Drive
Lilydale

Montrose Library

935 Mount Dandenong
Tourist Road
Montrose, 3765

Mooroolbark Library

7 Station Street
Mooroolbark, 3138

Mt Evelyn Community Reading Room (The Station House)

50 Wray Crescent
Mt Evelyn, 3796

Yarra Junction Library

Hoddle Street
Yarra Junction, 3797

Monbulk Community Reading Room

Monbulk Living & Learning
Centre
21 Main Rd
Monbulk, 3793

Yarra Glen Memorial Hall Community Reading Room

45 Bell St
Yarra Glen, 3775

Yarra Ranges Outreach Vehicles



Contact us

Administration

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Scoresby, 3179

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1300 737 277

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