

Central NSW Joint Organisation

Financial Statements

For the Year Ended 30 June 2020

Central NSW Joint Organisation

Contents

General purpose financial statements for the year ended 30 June 2020

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Central NSW Joint Organisation is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Central NSW Joint Organisation
2 Court Street
FORBES, NSW 2871

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.centraljo.nsw.gov.au.

Central NSW Joint Organisation

Statement by Members of the Board and Management made pursuant to Section 413(2c) of the Local Government Act 1993 (NSW) (as amended)

The attached general purpose financial statements have been prepared in accordance with:

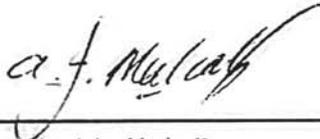
- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder
- the Australian Accounting Standards – Reduced Disclosure Requirements and other pronouncements of the Australian Accounting Standards Board
- the Joint Organisations Supplement to the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these statements:

- present fairly Central NSW Joint Organisation's operating result and financial position for the period
- the accord with Central NSW Joint Organisation's accounting and other records.

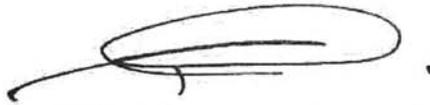
We are not aware of any matter that would render this report false or misleading in any way.

Signed in accordance with a resolution of the Board of Central NSW Joint Organisation made on 27 August 2020



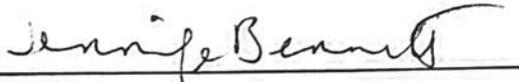
Councillor John Medcalf
Chairperson

Dated: 23/11/2020



Councillor Phyllis Miller
Voting Representative Board Member

Dated: 23/11/2020



Ms Jennifer Bennett
Executive Officer

Dated: 23/11/2020

Central NSW Joint Organisation

Income Statement and Other Comprehensive Income For the Year Ended 30 June 2020

		11 May 2018 to 30 June 2019
	2020	2019
Notes	\$	\$
Income from continuing operations		
Member council contributions	2(a) 731,121	-
Grants provided for operating purposes	2(b) 849,841	300,000
Other income	2(c) 756,098	46,515
Interest and investment revenue	2(d) 1,373	794
Total income from continuing operations	2,338,433	347,309
Expenses from continuing operations		
Employee benefits and on costs	613,007	186,262
Depreciation	17,919	244
Administrative expenses	3(a) 1,877,195	88,172
Total expenses from continuing operations	2,508,121	274,678
Net operating result for the period	(169,688)	72,631
Gain on transfer of assets from former entity (Centroc)	896,446	-
Net result for the period	726,758	72,631
Other comprehensive income		
	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	726,758	72,631

The above Income Statement and Other Comprehensive Income should be read in conjunction with the accompanying notes.

The Joint Organisation has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

Central NSW Joint Organisation

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,039,636	75,113
Receivables	5	124,828	73,215
TOTAL CURRENT ASSETS		1,164,464	148,328
NON-CURRENT ASSETS			
Property, plant and equipment	6	50,376	1,011
TOTAL NON-CURRENT ASSETS		50,376	1,011
TOTAL ASSETS		1,214,840	149,339
LIABILITIES			
CURRENT LIABILITIES			
Payables	8	170,148	26,983
Contract liabilities	7	130,517	-
Provisions	9	114,786	49,725
TOTAL CURRENT LIABILITIES		415,451	76,708
TOTAL LIABILITIES		415,451	76,708
NET ASSETS		799,389	72,631
EQUITY			
Accumulated surplus		799,389	72,631
TOTAL EQUITY		799,389	72,631

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The Joint Organisation has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

Central NSW Joint Organisation

Statement of Changes in Equity

For the Year Ended 30 June 2020

	2020	
	Accumulated surplus	Total equity
	\$	\$
Opening balance	72,631	72,631
Net operating result for the period	(169,688)	(169,688)
Gain on transfer of assets from former entity (Centroc)	896,446	896,446
Closing balance	799,389	799,389

	2019	
	Accumulated surplus	Total equity
	\$	\$
Opening balance	-	-
Net operating result for the period	72,631	72,631
Closing balance	72,631	72,631

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The Joint Organisation has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

Central NSW Joint Organisation

Statement of Cash Flows For the Year Ended 30 June 2020

	2020	2019
Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts:		
Contributions from member councils	731,121	-
Investment revenue and interest	1,373	794
Grants	980,358	300,000
Other	1,028,372	39,090
Payments:		
Employees and suppliers	(2,723,322)	(263,516)
Net cash (used in) operating activities	<u>17,902</u>	<u>76,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts:		
Sale of property, plant and equipment	11,000	-
Payments:		
Payment for property, plant & equipment	(37,133)	(1,255)
Net cash (used in) investing activities	<u>(26,133)</u>	<u>(1,255)</u>
Net increase/(decrease) in cash and cash equivalents held	<u>(8,231)</u>	75,113
Cash transferred from former entity (Centroc)	<u>972,754</u>	-
Cash and cash equivalents at beginning of year	<u>75,113</u>	-
Cash and cash equivalents at end of financial year	4 <u><u>1,039,636</u></u>	<u>75,113</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The Joint Organisation has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial statements include the results for the financial year ended 30 June 2020 and the comparative period from 11 May 2018 to 30 June 2019.

These financial statements were authorised for issue by the Board of the Central NSW Joint Organisation on 23 November 2020. The Board has the power to amend and reissue these financial statements.

1 Basis of Preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards– Reduced Disclosure Requirements, the *Local Government Act 1993 (NSW)* and Regulations, and the Joint Organisation Code of Accounting Practice and Financial Reporting. Central NSW Joint Organisation is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

(a) New and amended standards adopted

The following new standards are effective for the first time at 30 June 2020.

- AASB 15 Revenue from contracts with customers
- AASB 1058 Income of NFP Entities
- AASB 16 Leases

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the JO's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the JO and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Central NSW Joint Organisation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) employee benefit provisions – refer Note 9.

Significant judgements in applying the JO accounting policies

- (i) there are no significant judgements made by the JO

Notes to the Financial Statements
For the Year Ended 30 June 2020

1 Basis of Preparation

(c) Significant accounting estimates and judgements

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Central NSW Joint Organisation

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Income

	2020	Period 11 May 2018 to 30 June 2019
	\$	\$
Revenue from contracts with customers (AASB 15)		
- Grant revenue	800,541	-
	<u>800,541</u>	<u>-</u>
Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations - AASB 1058)		
- Member Council Contributions	731,121	-
- Grant revenue	49,300	300,000
- Other income	756,098	46,514
	<u>1,536,519</u>	<u>346,514</u>

(a) Member Council contributions

	2020	Period 11 May 2018 to 30 June 2019
	\$	\$
- Orange City Council	125,475	-
- Bathurst Regional Council	124,824	-
- Parkes Shire Council	74,859	-
- Cowra Shire Council	54,857	-
- Cowra Tourism Corp	15,759	-
- Cabonne Council	69,245	-
- Forbes Shire Council	58,161	-
- Lachlan Shire Council	54,421	-
- Blayney Shire Council	40,720	-
- Oberon Council	51,461	-
- Weddin Shire Council	31,331	-
- Central Tablelands Water	30,008	-
	<u>731,121</u>	<u>-</u>

Notes to the Financial Statements
For the Year Ended 30 June 2020

2 Income

(b) Grants

	Operating		Capital	
	2020	Period 11 May 2018 to 30 June 2019	2020	Period 11 May 2018 to 30 June 2019
	\$	\$	\$	\$
Office of Local Government (OLG) joint organisation establishment funding	-	300,000	-	-
OLG capacity building funding	19,483	-	-	-
Dept Planning, Industry & Environment	34,300	-	-	-
Tourism - DNCO	15,000	-	-	-
Restart NSW Fund-NSW Bridges	781,058	-	-	-
Total grants	849,841	300,000	-	-
Comprising:				
- Commonwealth funding	-	-	-	-
- State funding	834,841	300,000	-	-
- Other funding	15,000	-	-	-
	849,841	300,000	-	-

(c) Other income

	2020	Period 11 May 2018 to 30 June 2019
	\$	\$
Procurement rebates	205,667	-
Vehicle leaseback	14,825	4,285
Management of aggregated electricity procurement fees	44,250	26,250
Copyright licence fees	17,574	15,980
Training fees	336,804	-
Regional tourism group other income	54,394	-
Other revenue	80,175	-
Gain on disposal of asset	2,410	-
Total other revenue	756,098	46,515

(d) Interest and investment income

	2020	Period 11 May 2018 to 30 June 2019
	\$	\$
Interest revenue from:		
- interest on financial assets measured at amortised cost	1,373	794
Total interest and investment revenue	1,373	794

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Income

Accounting policy for income

Contributions by member councils are accounted for when the amount to be paid for the period has been determined and communicated to councils. The contribution may be in the form of a cash payment or non-monetary contribution (which is recorded at its fair value).

The methodology for determining the contribution is:

- Contributions by all member councils is prorated based on population in their respective Local Government Areas (LGA's) in order to perform the principal functions of delivering on strategic regional priorities, regional leadership and intergovernmental cooperation.

Interest and investment income is recognised using the effective interest rate at the date that interest is earned.

Accounting policies for 2020 only

Grant revenue

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant revenue under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the asset's fair value when the asset is received. The JO considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Income

Accounting policies for 2019 only

Grant revenue– Control over grants is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted asset at the date of transfer.

A liability is recognised in respect of grant income that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

User charges and fees are recognised as revenue when the service has been provided.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Gain on transfer of assets relates to the value of net assets received free of charge from Centroc on establishment of the JO.

Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Expenses

(a) Administrative expenses

	2020	Period 11 May 2018 to 30 June 2019
	\$	\$
CWUA Group expenses (ex wages)	130,068	-
Auditors' of the JO - NSW Auditor-General:	12,500	4,800
Regional training program	336,621	-
Legal expenses	5,609	-
Recruitment costs	-	26,640
Phone expenses	2,752	-
Meeting expenses	6,553	-
IT expenses	12,336	820
Travel expenses	15,828	855
Advertising/Branding expenses	4,107	-
Joint organisation projects	1,076,275	47,544
Staff training/conferences	14,493	-
Printing/Stationery/Postage	455	290
Bank fees	497	100
Hosting fees	13,500	2,500
Regional tourism group expenses (ex wages)	212,305	-
Vehicle expenses	15,222	1,035
Other expenses	18,076	3,587
	<u>1,877,195</u>	<u>88,172</u>
Auditors' remuneration		
Auditors' of the JO - NSW Auditor-General:		
Audit and other assurance services	12,500	4,800
Audit of financial statements	<u>12,500</u>	<u>4,800</u>
Total fees paid or payable to the Auditor-General	<u>12,500</u>	<u>4,800</u>

Accounting policy for expenses

Employee benefit expenses are recorded when the service has been provided by the employee.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Depreciation is calculated using the straight-line method to allocate the cost of the asset, net of residual values, over the asset's estimated useful lives.

Impairment – Property, plant and equipment assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements
For the Year Ended 30 June 2020

3 Expenses

Accounting policy for expenses

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

Other expenses are recorded on an accruals basis as the JO receives the goods or services.

Notes to the Financial Statements
For the Year Ended 30 June 2020

4 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	358,545	21,318
Short-term deposits	681,091	53,794
	1,039,636	75,113
Restricted cash and cash equivalents		
External restrictions	71,168	-
Unrestricted	968,468	75,113
	1,039,636	75,113

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Notes to the Financial Statements
For the Year Ended 30 June 2020

5 Receivables

	2020	2019
	\$	\$
CURRENT		
Trade receivables	37,377	7,425
GST receivable	38,688	7,724
Executive Officer leave transfer	-	57,572
Accrued revenue	48,763	494
Net receivables	124,828	73,215

Accounting policy for receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

The JO applies the simplified approach for receivables in providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

Central NSW Joint Organisation

Notes to the Financial Statements

For the Year Ended 30 June 2020

6 Property, plant and equipment

	At 1 July 2019			Transfers from former entity (Centroc)	Movements during the period			At 30 June 2020		
	Gross carrying amount	Accum depn and impairment	Net carrying amount		Additions	Disposals	Depn and Impairment	Gross carrying amount	Accum depn and impairment	Net carrying amount
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020										
Office equipment	1,255	(244)	1,011	3,032	-	-	(1,656)	5,019	(2,632)	2,387
Vehicles	-	-	-	35,710	37,133	(8,591)	(16,263)	58,212	(10,223)	47,989
Totals	1,255	(244)	1,011	38,742	37,133	(8,591)	(17,919)	63,231	(12,855)	50,376

	At 11 May 2018			Movements during the year			At 30 June 2019			
	Gross carrying amount	Accum Depn and impairment	Net carrying amount	Additions	Disposals	Depn and Impairment	Gross carrying amount	Accum depn and impairment	Net carrying amount	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2019										
Office equipment	-	-	-	1,255	-	(244)	1,255	(244)	1,011	
Totals	-	-	-	1,255	-	(244)	1,255	(244)	1,011	

Notes to the Financial Statements

For the Year Ended 30 June 2020

6 Property, plant and equipment

Accounting policy for property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the JO and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement and Other Comprehensive Income during the financial period in which they are incurred.

When property, plant and equipment are acquired by the JO for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- | | | |
|------|------------------|-----------|
| (i) | Office equipment | 2-5 years |
| (ii) | Motor vehicle | 5-6 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Financial Statements
For the Year Ended 30 June 2020

7 Contract liabilities

The JO has recognised the following contract assets and liabilities from contract with customers:

	2020	2019
	\$	\$
Contract liabilities		
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	130,517	-
	<u>130,517</u>	<u>-</u>

The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Accounting policy for contract liabilities

When an amount of consideration is received from a fund provider prior to Central NSW Joint Organisation transferring a good or service to the customer, Central NSW Joint Organisation presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements
For the Year Ended 30 June 2020

8 Payables and borrowings

	2020	2019
	\$	\$
Payables		
Trade payables	170,148	26,983
Total payables	170,148	26,983

Accounting policy for payables and borrowings

Trade payables represent liabilities for goods and services provided to the JO prior to the end of financial period that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Provisions

	2020		2019	
	Current \$	Non-current \$	Current \$	Non-current \$
Employee benefits provisions				
Annual leave	27,169	-	5,301	-
Long service leave	87,617	-	44,424	-
Total provisions	114,786	-	49,725	-
Current provisions not expected to be settled within the next 12 months	87,617	-	38,031	-

Accounting policy for provisions

Provisions are recognised when: the JO has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits and annual leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses that will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the JO does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Notes to the Financial Statements For the Year Ended 30 June 2020

10 Change in accounting policy

Changes in accounting policy due to adoption of new Accounting Standards

During the year ended 30 June 2020, the JO has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

Whilst it is required that any adjustments on adoption of AASB 15 and AASB 1058 be taken to retained earnings at 1 July 2019, the JO have assessed that there is no impact on retained earnings as of 1 July 2019 for adoption of these standards.

The impacts of adopting these standards and associated transition disclosures for the year ended 30 June 2020 are provided below:

AASB 15 and AASB 1058

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the control of the services passes to the customer.

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the JO's financial statements for the year ended 30 June 2020.

Statement of financial position as at 30 June 2020

	Carrying amount per Statement of financial position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Note
	\$	\$	\$	\$	
Current liabilities					
Contract Liabilities	130,517	-	(130,517)	-	(i)
Net assets					
Equity					
Accumulated Surplus	799,389	-	130,517	929,906	(i)
Total equity					

- i) Transfer of part of the contract liability to income and elimination of contract liability which arises under AASB 15 for funds received prior to the satisfaction of performance obligations.

Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Change in accounting policy

Income Statement for year ended 30 June 2020

	Income statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Reclassification	Income statement and comprehensive income under previous revenue standards	Note
	\$	\$	\$	\$	
Revenue	2,338,433	130,517	-	2,468,950	(i)
Profit / (Loss) for the year	(169,688)	130,517	-	(39,171)	
Total comprehensive income	726,758	130,517	-	857,275	

(i) Difference in revenue recognition between recognition on receipt under the new standards and as/ when performance obligations are met under the new standards.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

AASB 16 Leases

There was no impact on the JO financial reporting arising from the adoption of AASB 16.

11 Contingencies

There were no contingent assets or liabilities which the JO is party to at 30 June 2020 (30 June 2019: None).

12 Financial Risk Management

Risk Management

The JO's activities expose it to a variety of financial risks, including credit risk, liquidity risk, and interest rate risk.

Financial risk management is carried out by the finance team under policies approved by the JO Board.

The fair value of receivables approximates the carrying amount.

Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Related party disclosure

Key management personnel

Key management personnel (KMP) of the JO are those persons having the authority and responsibility for planning, directing and controlling the activities of the JO, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement and Other Comprehensive Income is: \$197,306

Other related parties

	Amount of the transactions during the period \$	Outstanding balances, including commitments at period end \$	Terms and conditions \$	Provisions for doubtful debts (impairment of receivables) related to the amount of outstanding balances \$	Expense recognised during the period relating to bad or doubtful debts (impairment expense) due from related parties \$
2020					
Administration services	12,959	1,700	30 Days	-	-
Rental of office space and utilities	16,000	4,250	30 Days	-	-
Provision of Motor Vehicles	20,612	3,302	30 Days	-	-
2019					
	-	-		-	-

Administration Services:

The JO has entered into an arrangement with Bathurst Regional Council and Orange City Council where a 3% on cost over payroll is charged for the staff they host. Amounts are payable on a quarterly basis for staff hosted by these Councils.

Rental of office space and utilities:

The JO has entered into an arrangement with Orange City Council, Bathurst Regional Council and Forbes Shire Council to provide office space and utilities to staff hosted in these locations to perform their required roles. There is an agreed annual amount paid depending on the number of staff members in each location.

Provisions of motor vehicles:

The JO has entered into an arrangement with Orange City Council to provide motor vehicles. Orange City Council will acquire motor vehicles and manage them as part of their fleet. The Council invoice for the costs incurred in acquiring the motor vehicles at the time of purchase. All running costs incurred are on charged to the JO as incurred on a quarterly basis throughout the financial year.

The JO has entered into an arrangement with Bathurst Regional Council to provide use of a motor vehicle for an annual charge of \$10,300 for the use of the motor vehicle and a set rate of \$2,700 per annum to cover operating expenses. These charges are billed on a quarterly basis over the year.

Notes to the Financial Statements
For the Year Ended 30 June 2020

14 Events occurring after reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the JO, the results of those operations or the state of affairs of the JO in future financial years.

Central NSW Joint Organisation

Independent Audit Report to the members of Central NSW Joint Organisation

Report on the Audit of the Financial Report



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central NSW Joint Organisation

To the Board of the Central NSW Joint Organisation

Opinion

I have audited the accompanying financial statements of Central NSW Joint Organisation (the Joint Organisation), which comprise the Statement by Members of the Board and Management, the Income Statement and Other Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Joint Organisation's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Joint Organisation's accounting records
 - present fairly, in all material respects, the financial position of the Joint Organisation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Joint Organisation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of joint organisations
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards— Reduced Disclosure Requirements and the *Local Government Act 1993*, and for such internal control as the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Joint Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Joint Organisation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 November 2020
SYDNEY



Cr John Medcalf
Chairperson
Central NSW Joint Organisation
PO Box 333
FORBES NSW 2871

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2027978/1858

29 November 2020

Dear Chairperson

Report on the Conduct of the Audit for the year ended 30 June 2020

I have audited the general purpose financial statements (GPFS) of the Central NSW Joint Organisation (the Joint Organisation) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Joint Organisation's GPFS.

This Report on the Conduct of the Audit (the Report) for the Joint Organisation for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

PERFORMANCE

Net Operating Result

The Joint Organisation's net operating loss for the year ended 30 June 2020 was \$169,688. The Joint Organisation received \$896,446 from the transfer of assets from Centroc to give an overall result for the period of \$726,758.

The Joint Organisation's income from continuing operations was \$2,338,433, including operating grants of \$849,841 (36.3 per cent). The main operating grant was \$781,058 from the Restart NSW Fund-NSW Bridges Program, to inspect 145 bridges and culverts across nine local government areas.

The Joint Organisation also received \$731,121 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the period was \$2,508,121 which primarily consisted of employee benefits and on-costs of \$613,007 and administration expenses¹ of \$1,877,195.

Financial position

At 30 June 2020, the Joint Organisation had total assets of \$1,214,840, total liabilities \$415,451 and net assets of \$799,389. The Joint Organisation's main asset is cash and cash equivalents of \$1,039,636.

¹ This category includes costs of joint organisation programs such as bridge inspections, training and regional tourism.

OTHER MATTERS

Impact of new accounting standards

AASB 15 ‘Revenue from Contracts with Customers’ and AASB 1058 ‘Income for Not-for-Profit Entities’

The Joint Organisation adopted the new accounting standards AASB 15 ‘Contracts with Customers’ and AASB 1058 ‘Income of Not-for-Profit Entities’ (collectively referred to as the Revenue Standards) for the first time in its 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a joint organisation’s financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribed how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a joint organisation’s financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Joint Organisation determined it did not require an adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Joint Organisation disclosed the impact of adopting the new Revenue Standards in Note 2.

AASB 16 ‘Leases’

The Joint Organisation adopted the new accounting standard AASB 16 ‘Leases’ for the first time in its 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Joint Organisation determined it did not have any right-of-use assets or lease liabilities either at 1 July 2019 or at 30 June 2020 which required recognition on adoption of AASB 16.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Joint Organisation’s accounting records or financial statements. The Joint Organisation’s:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Joint Organisation’s:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales