

Central NSW Joint Organisation

General Purpose Financial Statements for the period from 11 May 2018 to 30 June 2019.



Central NSW Joint Organisation

General purpose financial statements for the period from 11 May 2018 to 30 June 2019

Contents

	Page
Statement by Members of the Board and Management	2
Income Statement and Other Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the financial statements	7

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
- 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 22 August 2019.



Councillor John Medcalf
Chairperson
21/10/19



Councillor Phyllis Miller
Voting Representative Board Member
18/10/19



Ms Jennifer Bennett
Executive Officer
18/10/19

Central NSW Joint Organisation

Income Statement and Other Comprehensive Income for the period 11 May 2018 to 30 June 2019

	Notes	Actual Period 11 May 2018 to 30 June 2019 \$
Income from continuing operations		
Member council contributions		-
User charges and fees		-
Interest and investment revenue	2a	794
Grants provided for operating purposes	2b	300,000
Grants provided for capital purposes	2b	-
Other income	2c	46,515
Total income from continuing operations		<u>347,309</u>
Expenses from continuing operations		
Employee benefits and on-costs		186,262
Borrowing costs		-
Materials and contracts		47,544
Depreciation	7	244
Administrative expenses	3	40,628
Total expenses from continuing operations		<u>274,678</u>
Net operating result for the period		<u>72,631</u>
Gain on transfer of assets from former entities		-
Net result for the period		<u>72,631</u>
Other comprehensive income		-
Total comprehensive income		<u>72,631</u>

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

Central NSW Joint Organisation

Statement of Financial Position as at 30 June 2019

	Notes	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	4	75,113
Investments		-
Receivables	6	72,721
Prepayments		-
Other - accruals		494
Total current assets		<u>148,328</u>
Non-current assets		
Investments		-
Property, plant and equipment	7	1,011
Other		-
Total non-current assets		<u>1,011</u>
Total assets		<u><u>149,339</u></u>
LIABILITIES		
Current liabilities		
Payables	8	26,983
Income received in advance		-
Borrowings		-
Provisions	9	49,725
Total current liabilities		<u>76,708</u>
Non-Current liabilities		
Provisions		-
Total non-current liabilities		<u>-</u>
Total liabilities		<u>76,708</u>
Net assets		<u><u>72,631</u></u>
EQUITY		
Accumulated surplus		72,631
Other reserves		-
Total equity		<u><u>72,631</u></u>

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

Central NSW Joint Organisation

Statement of Changes in Equity For the period from 11 May 2018 to 30 June 2019

		2019 \$	
	Accumulated surplus	Other reserves	Total equity
Opening balance	-	-	-
Net operating result for the period	72,631	-	72,631
Other comprehensive income	-	-	-
Total comprehensive income	<u>72,631</u>		<u>72,631</u>
Closing balance	<u>72,631</u>	-	<u>72,631</u>

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

Central NSW Joint Organisation

Statement of Cash Flows for the period from 11 May 2018 to 30 June 2019

	Notes	Period 11 May 2018 to 30 June 2019
Cash flows from operating activities		\$
<i>Receipts:</i>		
Contributions from member councils		-
User charges and fees		-
Investment revenue and interest		794
Grants		300,000
Other		39,090
<i>Payments:</i>		
Employees and suppliers		(263,516)
Borrowing costs		-
Other		-
		<hr/>
Net cash provided from (or used) in operating activities		76,368
Cash flows from investing activities		
<i>Receipts:</i>		
Sale of property, plant and equipment		-
Other		-
<i>Payments:</i>		
Purchase of investments (term deposits)		-
Purchase of property, plant and equipment		(1,255)
Other		-
		<hr/>
Net cash provided from (or used in) investing activities		(1,255)
Cash flows from financing activities		
<i>Receipts:</i>		
Proceeds from investments		-
Other		-
<i>Payments:</i>		
Repayment of investments		-
Other		-
		<hr/>
Net cash provided from (or used in) financing activities		-
Net increase in cash and cash equivalents		75,113
Cash transferred from former entities		-
Cash and cash equivalents at beginning of reporting period		-
Cash and cash equivalents at end of reporting period	4	75,113

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

Central NSW Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Contents of the Notes to the Financial Statements		Page
Note 1	Basis of preparation	8
Note 2	Income	9
Note 3	Expenses	11
Note 4	Cash and cash equivalents	12
Note 5	Receivables	12
Note 6	Property, plant and equipment	13
Note 7	Payables	14
Note 8	Provisions	15
Note 9	Commitments	16
Note 10	Contingencies	16
Note 11	Financial risk management	16
Note 12	Related party disclosures	17
Note 13	Events after the reporting period	17

Note 1 **Basis of preparation**

Central NSW Joint Organisation was established on 11 May 2018 and the financial statements include the results of the JO from establishment until 30 June 2019 and the financial position at 30 June 2019.

Future reporting periods will be from 1 July to 30 June of the relevant year.

These financial statements were authorised for issue by the Board of the Joint Organisation on 22 August 2019. The Board has the power to amend and reissue these financial statements.

These general purpose financial statements have been prepared in accordance with 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 by JO

The following new standards are effective for the first time in 30 June 2019. There is not expected to be a material impact on reported financial position, performance or cash flows of the entity although some additional disclosures and presentation changes have arisen:

- AASB 9 Financial Instruments and associated amending standards
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1 Amendments to Australian Accounting Standards
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017 – 3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

(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 were no significant judgements made by the JO

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.

Note 2 Income from continuing operations

		Period 11 May 2018 to 30 June 2019 \$
(a) Interest and investment revenue		
Interest on financial assets measured at amortised cost		794
Other		-
Total interest and investment revenue		<u>794</u>
(b) Grants		
	Operating Period 11 May 2018 to 30 June 2019 \$	Capital Period 11 May 2018 to 30 June 2019 \$
Office of Local Government (OLG) joint organisation establishment funding	<u>300,000</u>	-
Capital works	-	-
Total grants	<u>300,000</u>	-
Comprising:		
- Commonwealth funding	-	-
- State funding	300,000	-
- Other funding	<u>-</u>	<u>-</u>
	<u>300,000</u>	<u>-</u>
(c) Other income		
Management of aggregated electricity procurement fees		26,250
Copyright licence fees		15,980
Vehicle leaseback		4,285
Total other revenue		<u>46,515</u>

Accounting policy for income

JO recognises revenue when: the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the JO, and specific criteria have been met for each of the JO's income streams as described below. The JO bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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:

- equal contributions by all member councils in order to perform the principal functions of delivering on strategic regional priorities, regional leadership and intergovernmental cooperation
- contributions by participating member councils for other functions of enhancing strategic capacity and direct service delivery.

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

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

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.

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

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

Note 3 Expenses

	Period 11 May 2018 to 30 June 2019 \$
Administrative expenses	
Contractor and consultancy costs	3,485
Remuneration of auditors	4,800
IT expenses	820
Travel	855
Recruitment of Executive Officer	26,640
Other	4,028
Total administrative expenses	40,628
 Auditors' remuneration	
Auditors of the JO – NSW Auditor-General:	
(i) Audit and other assurance services	
Audit of financial statements	4,800
Other assurance services	-
Total fees paid or payable to the Auditor-General	4,800

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.

Borrowing costs are expensed as incurred.

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.

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

Operating lease expense – Leases in which a significant portion of the risks and rewards of ownership are not transferred to JO as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

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

Note 4 Cash and cash equivalents

	2019 \$
Operating account	21,319
Cash Reserve account	53,794
	75,113
Restricted cash and cash equivalents	
External restrictions	-
Internal restrictions	-
Unrestricted	75,113
	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.

Note 5 Receivables

	2019 Current \$
Receivables from member councils	7,425
GST receivables	7,724
Executive Officer leave transfer	57,572
Total	72,721
Less: provision for impairment	-
Net receivables	72,721

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.

Note 6 Property, plant and equipment

By asset class	At 11 May 2018			Movements during the period			At 30 June 2019		
	Gross carrying amount \$	Acc.dep. and impairment \$	Net carrying amount \$	Additions \$	Disposals \$	Depn. and impairment \$	Gross carrying amount \$	Acc. dep. and impairment \$	Net carrying amount \$
Office equipment	-	-	-	1,255	-	(244)	1,255	(244)	1,011
Furniture and fittings	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Totals	-	-	-	1,255	-	(244)	1,255	(244)	1,011

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

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

Note 7 Payables

	2019 Current \$
Payables	
Trade payables	22,183
Accrued expenses	4,800
Total payables	26,983

Financing arrangements

**2019
\$**

Total facilities

The amount of total financing facilities available to the JO at the reporting date is:

- Bank overdraft facility	-
- Corporate credit cards	-
	-
	-

Drawn facilities

The amount of financing facilities drawn down at the reporting date is:

- Bank overdraft facility	-
- Corporate credit cards	-
	-
	-

Undrawn facilities

The amount of undrawn financing facilities available to the JO at the reporting date is:

- Bank overdraft facility	-
- Corporate credit cards	-
	-
	-

Accounting policy for payables and borrowings

The JO measures all financial liabilities initially at fair value less transaction costs; subsequent financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the JO comprise trade and other payables and bank overdraft.

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.

Note 8 Provisions

	2019	
	Current	Non-current
	\$	\$
Employee benefit provisions		
Annual leave	5,301	-
Long-service leave	44,424	-
Total provisions	49,725	-
	<hr/> <hr/>	<hr/> <hr/>
Current provisions not expected to be settled within the next 12 months	38,031	n/a
	<hr/> <hr/>	<hr/> <hr/>

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

Note 9 Commitments

The JO had no capital commitments or non-cancellable operating lease commitments at 30 June 2019.

Note 10 Contingencies

There were no contingent assets or liabilities which the JO is party to at 30 June 2019.

Note 11 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.

Note 12 Related party disclosures

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 \$186,262.

Other transactions with KMP and their related parties

Nature of the transaction	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 (\$)
2019					
	-	-		-	-

Other related parties

Type of related party: (please describe)	Nature of the transactions	Amount of the transactions during the period	Outstanding balances, including commitments at period end	Terms and conditions	Provisions for doubtful debts related to the amount of outstanding balances	The expense recognised during the period relating to bad or doubtful debts due from related parties
2019						
		-	-		-	-

Note 13 Events occurring after reporting date

There were no events occurring between 30 June 2019 and the date of signing the financial statements.



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 Income Statement and Other Comprehensive Income for the period 11 May 2018 to 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the period 11 May 2018 to 30 June 2019, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Members of the Board and Management.

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 presented, 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 2019, and of its financial performance and its cash flows for the period 11 May 2018 to 30 June 2019 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' (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 except where the Joint Organisation will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

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.

My opinion does not 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 Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY