

New England Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

'To lead, advocate, collaborate and deliver outcomes which deliver positive benefits for our collective communities'



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

144 Otho Street
INVERELL NSW 2360

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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.nejo.nsw.gov.au

New England Joint Organisation

General Purpose Financial Statements for the year ended 30 June 2020

Understanding the Joint Organisation's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of the JO for the period ending 30 June 2020.

The format of the financial statements is standard across all NSW JOs and complies with both the accounting and reporting requirements of Australian Accounting Standards – Reduced Disclosure Requirements and requirements as set down by the Office of Local Government.

About the Members of the Board Statement

The financial statements must be certified by senior staff as 'presenting fairly' the JO's financial results for the period and are required to be adopted by the JO – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate four 'primary' financial statements:

1. The Income Statement and Other Comprehensive Income

Summarises the JO's financial performance for the period, listing all income and expenses.

2. The Statement of Financial Position

A 30 June snapshot of the JO's financial position indicating its assets, liabilities and "net wealth".

3. The Statement of Changes in Equity

The overall change for the period (in dollars) of the JO's "net wealth".

4. The Statement of Cash Flows

Indicates where the JO's cash came from and where it was spent.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the four primary financial statements.

About the Auditor's Reports

The JO's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the JO's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the JO's financial performance and financial position.

New England Joint Organisation

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Members of the Board and Management pursuant to Section 413(2)(c) 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:

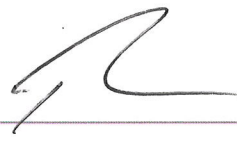
- present fairly the JO's operating result and financial position for the year
- accord with JO's accounting and other records.

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

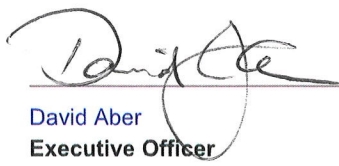
Signed in accordance with a resolution of the Board of New England Joint Organisation made on 28 September 2020.



Cr Michael Pearce
Mayor
28 September 2020



Cr Paul Harmon
Councillor
28 September 2020



David Aber
Executive Officer
28 September 2020

Income Statement and Other Comprehensive Income

for the year ended 30 June 2020

\$	Notes	2020	Period 11/05/18 to 30/06/19
Income from continuing operations			
Member Council contributions	2a	49,500	35,000
Other Income	2b	624	–
Grants and contributions provided for operating purposes	2c	240,583	300,000
Interest and investment income	3	2,793	2,981
Total income from continuing operations		<u>293,500</u>	<u>337,981</u>
Expenses from continuing operations			
Employee benefits and on-costs	4a	65,342	–
Administrative expenses	4b	181,672	65,418
Total expenses from continuing operations		<u>247,014</u>	<u>65,418</u>
Operating result from continuing operations		<u>46,486</u>	<u>272,563</u>
Net operating result for the year		<u>46,486</u>	<u>272,563</u>
Total comprehensive income for the year		<u>46,486</u>	<u>272,563</u>

The JO 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*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	231,873	276,676
Receivables	6	11,623	1,887
Total current assets		<u>243,496</u>	<u>278,563</u>
Total assets		<u>243,496</u>	<u>278,563</u>
LIABILITIES			
Current liabilities			
Payables	8	11,648	6,000
Contract liabilities	7	150,000	–
Provisions	9	3,382	–
Total current liabilities		<u>165,030</u>	<u>6,000</u>
Total liabilities		<u>165,030</u>	<u>6,000</u>
Net assets		<u>78,466</u>	<u>272,563</u>
EQUITY			
Accumulated surplus	10	78,466	272,563
Council equity interest		<u>78,466</u>	<u>272,563</u>
Total equity		<u>78,466</u>	<u>272,563</u>

The JO 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*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	Other reserves (specify)	Total equity	Accumulated surplus	Other reserves (specify)	Total equity
\$							
Opening balance		272,563	–	272,563	–	–	–
Changes due to AASB 1058 and AASB 15 adoption	10	(240,583)	–	(240,583)	–	–	–
Restated opening balance		31,980	–	31,980	–	–	–
Net operating result for the year		46,486	–	46,486	272,563	–	272,563
Restated net operating result for the period		46,486	–	46,486	272,563	–	272,563
Total comprehensive income		46,486	–	46,486	272,563	–	272,563
Equity – balance at end of the reporting period		78,466	–	78,466	272,563	–	272,563

The JO 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*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

\$	Notes	2020	Period 11/05/18 to 30/06/19
Cash flows from operating activities			
Receipts:			
Member council contributions		54,450	38,500
Investment and interest revenue received		2,276	2,981
Grants		150,000	300,000
Other		4,452	554
Payments:			
Employee benefits and on-costs		(59,312)	–
Administrative expenses		(196,669)	(65,359)
Net cash provided (or used in) operating activities	11b	<u>(44,803)</u>	<u>276,676</u>
Cash flows from investing activities			
Receipts:			
Sale of investment securities		–	200,000
Payments:			
Purchase of investment securities		–	(200,000)
Net cash provided (or used in) investing activities		<u>–</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalents		<u>(44,803)</u>	<u>276,676</u>
Plus: cash and cash equivalents – beginning of year	11a	276,676	–
Cash transferred from former entities		–	–
Cash and cash equivalents – end of the year	11a	<u>231,873</u>	<u>276,676</u>

The JO 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*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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New England Joint Organisation

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

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 Joint Organisation on 28 September 2020. The Board has the power to amend and reissue these financial statements.

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

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.

NEJO is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

COVID-19 Impacts

COVID-19 has had no impact on the operations of New England Joint Organisation. There has been no financial impacts to date, and it is anticipated COVID-19 will have no financial impacts in future years.

New and amended standards adopted by JO

During the year JO adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on JO's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 10.

(a) Historical cost convention

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations

\$	AASB	2020	Period 11/05/18 to 30/06/19
(a) Member Council contributions			
Armidale Regional Council	1058 (1)	7,900	5,000
Glen Innes Severn Council	1058 (1)	7,900	5,000
Inverell Shire Council	1058 (1)	5,000	5,000
Moree Plains Council	1058 (1)	5,000	5,000
Narrabri Shire Council	1058 (1)	7,900	5,000
Tenterfield Shire Council	1058 (1)	7,900	5,000
Uralla Shire Council	1058 (1)	7,900	5,000
<u>TOTAL MEMBER COUNCIL CONTRIBUTIONS</u>		<u>49,500</u>	<u>35,000</u>

(b) Other Income

Other (ELE contributions)	1058 (1)	624	–
<u>TOTAL OTHER INCOME</u>		<u>624</u>	<u>–</u>

\$	AASB	Operating 2020	Operating Period 11/05/18 to 30/06/19	Capital 2020	Capital Period 11/05/18 to 30/06/19
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(c) Grants

Office of Local Government (OLG) Joint Organisation Establishment Funding	15 (2)	240,583	300,000	–	–
<u>Total grants</u>		<u>240,583</u>	<u>300,000</u>	<u>–</u>	<u>–</u>

Grant revenue is attributable to:

– State funding		240,583	300,000	–	–
		<u>240,583</u>	<u>300,000</u>	<u>–</u>	<u>–</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Interest and investment income

\$	2020	Period 11/05/18 to 30/06/19
Interest on financial assets measured at amortised cost		
– Cash and investments	2,793	2,981
Total Interest and investment income	2,793	2,981

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:

- 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.

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.

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 income 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

Note 3. Interest and investment income (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations

\$	2020	Period 11/05/18 to 30/06/19
(a) Employee benefits and on-costs		
Salaries and wages	48,986	–
Travel Allowance expenses	6,851	–
Employee leave entitlements (ELE)	3,382	–
Superannuation	4,654	–
Workers' compensation insurance	1,469	–
Total employee costs	65,342	–
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>65,342</u>	<u>–</u>

\$	2020	Period 11/05/18 to 30/06/19
(b) Administrative expenses		
Contractor and consultancy costs– JO Establishment Costs	–	32,649
Contractor and consultancy costs– Administration Support	78,000	18,000
Contractor and consultancy costs– Road Survey consulting	71,983	–
Auditors remuneration ²	6,150	6,000
IT expenses	2,071	4,805
Expenses from Peppercorn leases (2020 only)	–	–
Accounting Fees	5,318	–
Advertising	–	1,814
Subscriptions	14,500	–
Telephone and internet	346	–
Training	1,349	–
Travel	1,754	1,534
Other	201	616
Total administrative expenses	181,672	65,418
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>181,672</u>	<u>65,418</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations (continued)

\$	2020	Period 11/05/18 to 30/06/19
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	6,150	6,000
Remuneration for audit and other assurance services	<u>6,150</u>	<u>6,000</u>
Total Auditor-General remuneration	<u>6,150</u>	<u>6,000</u>

Accounting policy for expenses

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

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

Note 5(a). Cash and cash equivalents

\$	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	31,873	76,676
Cash-equivalent assets		
– Short-term deposits	200,000	200,000
Total cash and cash equivalents	<u>231,873</u>	<u>276,676</u>

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

Note 5(b). Restricted cash, cash equivalents and investments

\$	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	231,873	–	276,676	–
attributable to:				
External restrictions (refer below)	150,000	–	240,583	–
Internal restrictions (refer below)	–	–	–	–
Unrestricted	81,873	–	36,093	–
	<u>231,873</u>	<u>–</u>	<u>276,676</u>	<u>–</u>

\$	2020	2019
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Details of restrictions

External restrictions – included in liabilities

OLG Capacity Building Grant	150,000	–
External restrictions – included in liabilities	<u>150,000</u>	<u>–</u>

External restrictions – other

OLG Establishment Grant	–	240,583
External restrictions – other	<u>–</u>	<u>240,583</u>

TOTAL RESTRICTIONS

	<u>150,000</u>	<u>240,583</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Receivables

\$	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Accrued revenues				
– Interest on investments	517	–	–	–
Net GST receivable	11,106	–	1,887	–
Total	11,623	–	1,887	–
<u>TOTAL NET RECEIVABLES</u>	<u>11,623</u>	<u>–</u>	<u>1,887</u>	<u>–</u>

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

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.

New England Joint Organisation

Notes to the Financial Statements for the year ended 30 June 2020

Note 7. Contract assets and liabilities

\$	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended operating contributions (received prior to performance obligation being satisfied)	(i)	150,000	–
Total grants received in advance		150,000	–
Total contract liabilities		150,000	–

Notes

(i) The JO has received OLG Capacity Building Funding to implement New England Road Network Strategy - Stage 5 and New England Tourism Promotional Campaign. The funds received are under an enforceable contract which require the JO to satisfy specific performance obligations. The revenue is recognised as JO meets its specific performance obligations and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, JO presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case JO recognises a receivable.

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

New England Joint Organisation

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Payables and borrowings

\$	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Trade payables – operating expenditure	9,000	–	–	–
Accrued expenses:				
– Salaries and wages - PAYG	2,648	–	–	–
– Other expenditure accruals	–	–	6,000	–
Total payables	11,648	–	6,000	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	11,648	–	6,000	–

Accounting policy for payables and borrowings

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

Payables

Trade payables represent liabilities for goods and services provided to the JO prior to the end of financial year 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

Note 9. Provisions

\$	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,109	–	–	–
Long service leave	2,273	–	–	–
Sub-total – aggregate employee benefits	3,382	–	–	–
TOTAL PROVISIONS	3,382	–	–	–

Description of and movements in provisions

\$	ELE provisions			Total
	Annual leave	Long service leave		
2020				
Other	1,109	2,273		3,382
Total ELE provisions at end of year	1,109	2,273		3,382

Accounting policy for provisions

Provisions are recognised when Council 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, annual leave and accumulating sick 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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

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 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- JO has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- JO has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where JO has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by JO and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the JO has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058: - an additional line items being contract liability has been created.

\$	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	<u>–</u>
Contract liabilities	
– Under AASB 15	240,583
– Under AASB 1058	–
Total Contract liabilities	<u>240,583</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**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

\$	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-a tion	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	231,873	–	–	231,873	
Receivables	11,623	–	–	11,623	
Total current assets	243,496	–	–	243,496	
Current liabilities					
Payables	11,648	–	–	11,648	
Contract liabilities	150,000	–	(150,000)	–	
Provisions	3,382	–	–	3,382	
Total current liabilities	165,030	–	(150,000)	15,030	
Net assets	78,466	–	150,000	228,466	
Equity					
Accumulated surplus	78,466	–	–	78,466	
Council equity interest	78,466	–	–	78,466	
Total equity	78,466	–	–	78,466	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	49,500	–	–	49,500	
Other revenues	624	–	–	624	
Grants and contributions provided for operating purposes	240,583	150,000	(240,583)	150,000	
Interest and investment income	2,793	–	–	2,793	
Total Income from continuing operations	293,500	150,000	(240,583)	202,917	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	65,342	–	–	65,342	
Materials and contracts	181,672	–	–	181,672	
Total Expenses from continuing operations	247,014	–	–	247,014	
Total Operating result from continuing operations	46,486	150,000	(240,583)	(44,097)	
Net operating result for the year	46,486	150,000	(240,583)	(44,097)	
Total comprehensive income	46,486	–	–	46,486	

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	240,583	240,583
Total liabilities	–	240,583	240,583
Accumulated surplus	272,563	(240,583)	31,980
Total equity	–	(240,583)	(240,583)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Statement of cash flow information

\$	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	5(a)	231,873	276,676
Balance as per the Statement of Cash Flows		231,873	276,676
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		46,486	272,563
Adjust for non-cash items:			
Adoption of AASB 15/1058		(240,583)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(9,736)	(1,887)
Increase/(decrease) in payables		9,000	–
Increase/(decrease) in other accrued expenses payable		(3,352)	6,000
Increase/(decrease) in contract liabilities		150,000	–
Increase/(decrease) in provision for employee benefits		3,382	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		(44,803)	276,676

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(ii) Statewide Limited

JO is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. JO's share of the net assets or liabilities reflects JO's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that JO will be required to fund or share in respectively.

(iii) StateCover Limited

JO is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically JO.

JO has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

JO has provided no other guarantees other than those listed above.

2. Other liabilities

JO has provided no other liabilities other than those listed above.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 13. Financial risk management

Risk management

JO's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

Financial risk management is carried out by JO's finance section under policies approved by the JO Board.

At the reporting date, the JO had no material liquidity, collection or other financial risks.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 14. Related party disclosures

(a) 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 council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$	2020	2019
Compensation:		
Short-term benefits	55,837	–
Post-employment benefits	4,654	–
Other long-term benefits	–	–
Termination benefits	–	–
Total	60,491	–

(b) Other transactions with KMP and their related parties

JO has determined that transactions at arm's length between KMP and JO as part of JO delivering a public service objective (e.g. access to library or JO swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020						
Administrative Support	2	78,000	–	12 Months	–	–
2019						
Administrative Support	2	18,000	–	12 Months	–	–

2. The JO entered into an arrangement for Administrative Support with Inevrell Shire Council, an entity that has members of the NEJO's KMPs as a Councillor. This included the provision of Administration Support, Information Technology and Finance Services. The amount was billed in arrears at the end of the financial year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Events occurring after the reporting date

JO is unaware of any material or significant 'non-adjusting events' that should be disclosed.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

New England Joint Organisation

To the Board of the New England Joint Organisation

Opinion

I have audited the accompanying financial statements of New England 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

10 November 2020
SYDNEY



Cr Michael Pearce
Chairperson
New England Joint Organisation
PO Box 138
INVERELL NSW 2360

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2025855/1863

11 November 2020

Dear Chairperson

**Report on the Conduct of the Audit
for the year ended 30 June 2020
New England Joint Organisation**

I have audited the general purpose financial statements (GPFS) of New England 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 result / Net operating result

The Joint Organisation's net operating result for the year ended 30 June 2020 was \$46,486.

The Joint Organisation's primary income source during the year was from operating grants of \$240,583 which contributed to 82 per cent of the Joint Organisation's income from continuing operations of \$293,500. The Joint Organisation also received \$49,500 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the year was \$247,014 which primarily consisted of employee benefits and on-costs of \$65,342 and administration expenses of \$181,672.

PERFORMANCE

Financial position

At 30 June 2020, the Joint Organisation had total assets of \$243,496 and net assets of \$78,466. The Joint Organisation's main assets consist of cash (\$231,873) and receivables (\$11,623). The Joint Organisation's main liabilities consist of contract liabilities of \$150,000 and payables of \$11,648.

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 their 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 recognised a \$240,583 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 10.

AASB 16 'Leases'

The Joint Organisation adopted the new accounting standard AASB 16 'Leases' for the first time in their 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.

There was no impact of the new lease standard on the Joint Organisation's financial statements.

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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr David Aber, Interim Executive Officer
Mr Paul Cornall, Forsyths
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment