

Northern Rivers Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Northern Rivers Joint Organisation General Purpose Financial Statements

For the year ended 30 June 2020

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

PO Box 146
Lismore
NSW 2480

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.northernriversjo.nsw.gov.au

Northern Rivers 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 and other pronouncements of the Australian Accounting Standards Board reduced disclosure requirements
- * 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 Northern Rivers Joint Organisation's operating result and financial position for the period, and
- * accord with Northern Rivers 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 the Northern Rivers Joint Organisation made on 20 November 2020.



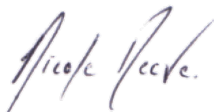
Danielle Mulholland
Chairperson

 23 / 11 / 2020



Isaac Smith
Voting Representative Board Member

 23 / 11 / 2020



Nicole Reeve
Executive Officer

 11 / 11 / 2020

Northern Rivers Joint Organisation

Income Statement and Other Comprehensive Income for the year ended 30 June 2020

	Notes	Year ended 30 June 2020 \$	11 May 2018 to 30 June 2019 \$
Income from continuing operations			
Member council contributions	2a	128,600	102,893
User charges and fees	2b	33,725	33,725
Interest and investment revenue	2c	5,090	7,061
Grants and contributions provided for operating purposes	2d	150,000	800,000
Other income	2e	43,664	36,602
Total income from continuing operations		<u>361,079</u>	<u>980,281</u>
Expenses from continuing operations			
Employee benefits and on-costs	3a	104,541	50,488
Project expenses	3c	280,088	128,157
Administrative expenses	3b	113,947	108,774
Total expenses from continuing operations		<u>498,576</u>	<u>287,419</u>
Net operating result for the year		<u>(137,497)</u>	<u>692,862</u>
Gain on transfer of assets from former entities NOROC		-	440,893
Net result for the period		-	440,893
Total comprehensive income		<u>(137,497)</u>	<u>1,133,755</u>

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

Northern Rivers Joint Organisation

Statement of financial position as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,021,504	1,195,754
Receivables	5	6,777	9,714
Total current assets		1,028,281	1,205,468
Non-current assets			
Total non-current assets		-	-
Total assets		1,028,281	1,205,468
LIABILITIES			
Current liabilities			
Payables	6	32,022	69,117
Provisions	7	-	2,596
Total current liabilities		32,022	71,713
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		32,022	71,713
Net assets		996,260	1,133,755
EQUITY			
Accumulated Surplus		996,259	1,133,755
Total equity		996,259	1,133,755

The above Statement of financial position should be read in conjunction with the accompanying notes.

Northern Rivers Joint Organisation

Statement of changes in equity For the year ended 30 June 2020

	2020 \$		2019 \$	
	Accumulated surplus	Total equity	Accumulated surplus	Total equity
Opening balance	1,133,755	1,133,755	-	-
Net operating result for the period	(137,497)	(137,497)	1,133,755	1,133,755
Total comprehensive income	(137,497)	(137,497)	1,133,755	1,133,755
Closing balance	996,259	996,259	1,133,755	1,133,755

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

Northern Rivers Joint Organisation

Statement of cash flows For the year ended 30 June 2020

	Year ended 30 June 2020	11 May 2018 to 30 June 2019
Notes	\$	\$
Cash flows from operating activities		
Receipts:		
Contributions from member councils	128,600	102,893
User charges and fees	35,815	31,825
Investment revenue and interest	5,673	6,978
Grants	150,000	800,000
Other (GST, Procurement rebate)	43,928	113,593
Payments:		
Employees and suppliers	(488,240)	(296,187)
Borrowing costs	-	-
Other (GST)	(50,026)	(4,761)
Net cash provided from (or used) in operating activities	(174,250)	754,341
Cash flows from investing activities		
Net cash used in investing activities	-	-
Cash flows from financing activities		
Net cash provided by (or used in) financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(174,250)	754,341
Cash and cash equivalents at beginning of reporting period	1,195,754	-
Cash and cash equivalents transferred from NOROC	-	441,413
Cash and cash equivalents at end of reporting period	1,021,504	1,195,754

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Northern Rivers Joint Organisation

Notes to the financial statements For the year ended 30 June 2020

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Note 1 Basis of preparation

The financial statements include the results of the Joint Organisation for the financial year ending 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 20 November 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. The Northern Rivers 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 Northern Rivers Joint Organisation*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. Northern Rivers Joint Organisation's assessment of the impact of these new standards and interpretations relevant to them, is set out below.

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards - Implementation of AASB 1059

Northern Rivers Joint Organisation has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2019.

AASB 1059 provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

This standard requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet. A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on *AASB 13 Fair Value Measurement* and existing assets of the grantors are reclassified at the date of transition. After initial recognition, the grantor accounts for the assets under either *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*.

The nature of the consideration given to the operator will affect whether the grantor applied either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

The effective date of this standard is the annual reporting period beginning on or after 1 January 2020 (i.e. year ended 30 June 2021).

The JO does not expect an impact since we generally do not enter into service concession arrangements.

(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 Joint Organisation'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 Joint Organisation and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Northern Rivers 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:

(1) employee leave provisions - refer Note 7

Significant judgements in applying the Joint Organisation accounting policies

(1) None are applicable at this stage.

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

2020

\$

Revenue from Contracts with Customers (AASB 15)

User charges and fees

33,725

33,725**Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058)**

Member Council Contributions

128,600

Grant revenue

150,000

Procurement Rebate

37,388

Other

6,276

322,264

	2020	11 May 2018 to 30 June 2019
	\$	\$
(a) Member Council contributions		
Ballina Shire Council	21,900	17,567
Byron Shire Council	19,300	15,067
Kyogle Council	13,100	9,924
Lismore City Council	22,200	18,307
Richmond Valley Council	16,700	13,084
Tweed Shire Council	35,400	28,944
Total member council contributions	<u>128,600</u>	<u>102,893</u>
(b) User charges and fees		
MyRoadInfo	33,725	33,725
Total user charges and fees	<u>33,725</u>	<u>33,725</u>
(c) Interest and Investment revenue		
Interest in financial assets measured at amortised cost	5,090	7,061
Total interest and investment revenue	<u>5,090</u>	<u>7,061</u>
Operating		
	2020	11 May 2018 to 30 June 2019
	\$	\$
(d) Grants		
Office of Local Government (OLG) joint organisation establishment funding	-	300,000
Office of Local Government (OLG) joint organisation capacity building funding	150,000	-
Regional Business Power Infrastructure Program	-	500,000
Total grants	<u>150,000</u>	<u>800,000</u>
Comprising:		
- Commonwealth funding	-	-
- State funding	150,000	800,000
- Other funding	-	-
	<u>150,000</u>	<u>800,000</u>

Note 2 Income from continuing operations continued

	2020	11 May 2018 to 30 June 2019
	\$	\$
(e) Other income		
Procurement Rebate	37,388	36,602
Sundry Income (recharges)	6,276	-
Total other income	43,664	36,602

Accounting policy for income 2020

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 as its fair value).

The methodology for determining the contributions 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 the functions of enhancing strategic capacity and direct service delivery.

User charges and fees Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

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

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.

Gain on transfer of assets relates to the value of net assets received free on charge from NOROC on establishment of the Joint Organisation.

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.

Note 3 Expenses from continuing operations

	2020 \$	11 May 2018 to 30 June 2019 \$
(a) Employee benefits and on costs		
Salaries and wages	82,955	34,209
Travelling	3,981	3,341
Employee leave entitlements	(2,596)	2,596
Superannuation	6,590	2,842
Workers' compensation insurance	1,891	1,494
Other	11,720	6,006
Total employee costs expensed	104,541	50,488

Accounting policy for employee benefits and on-costs

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.

(b) Administrative expenses

Contractor and consultancy costs	82,631	94,150
Advertising	-	620
Audit	6,500	6,500
Board Costs	18,888	3,220
Catering	1,988	1,389
Office Expenses	3,326	2,415
Other	614	480
Total administrative expenses	113,947	108,774

(c) Project expenses

Contractor and Project Contributions	279,838	110,950
Advertising	-	10,618
Catering	250	975
Printing	-	2,411
Other	-	3,203
Total project expenses	280,088	128,157

Accounting policy for expenses

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

Auditors' remuneration

Auditors of the Joint Organisation - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	6,500	6,500
Total fees paid or payable to the Auditor-General	6,500	6,500

Total remuneration of auditors

6,500	6,500
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Note 4 Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and on hand	6,904	556,176
Deposits at call	1,014,600	639,578
	1,021,504	1,195,754
Restricted cash and cash equivalents		
External restrictions	415,537	500,000
Unrestricted	605,967	695,754
	1,021,504	1,195,754

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

	2020 Current \$	2019 Current \$
Purpose		
Other (Myroadinfo annual license fee)	-	2,090
Other (interest)	-	583
Other (GST receivable)	6,777	7,041
Total	6,777	9,714
Net Receivables	6,777	9,714

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 Joint Organisation applies the simplified approach for receivables in providing for expected credit losses prescribed by AASB9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses receivables have been grouped based on shared credit risk characteristics and the days past due.

Note 6 Payables and borrowings

	2020 Current \$	2019 Current \$
Payables		
Trade payables	19,195	11,000
Accrued expenses	9,335	6,500
Other payables (GST)	2	50,029
Other payables (PAYG)	3,490	1,588
Total payables	32,022	69,117

Accounting policy for payables and borrowings

The Northern Rivers Joint Organisation measures all financial liabilities initially at fair value less transactions costs, subsequent financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade and other payables.

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 7 Provisions

	2020	2019
	Current	Current
	\$	\$
Employee benefits provisions		
Annual leave	-	2,596
Total provisions	-	2,596
Current provisions not expected to be settled within the next 12 months	-	-

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 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 which 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 8 Change in accounting policy

Changes in accounting policy due to adoption of new Accounting Standards

During the year ended 30 June 2020, Northern Rivers Joint Organisation 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.

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

AASB 15 and AASB 1058

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

- The 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
- The 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 the JO has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by the 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 complete.

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.

Financial Statement Impact of adoption of AASB 15 and AASB 1058

There was no impact on the financial statements as a result of adopting these new standards.

Note 9 Contingencies

The 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. The JO's share of the net assets or liabilities reflects the 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 June 2020 may result in future liabilities or benefits as a result of past events that the JO will be required to fund or share respectively.

Note 10 Financial risk management

Risk management

The Northern Rivers Joint Organisation'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 Board of the Joint Organisation.

The fair value of receivables, investments and financial liabilities approximates the carrying amount.

Note 11 Related Party Disclosures

Key management personnel

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

The aggregate amount of KMP compensation included in the Income Statement and Other Comprehensive Income is \$101,308 (2019: \$37,051).

Other transactions with KMP and their related parties

There were no other transactions between the JO and the KMP and their related parties (2019: nil).

Other related parties

There were no transactions between the JO and other related parties (2019: nil).

Note 12 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 Joint Organisation or the results of those operations.