

Mid North Coast  
Joint Organisation

**mncjo**



# Agenda for the EXTRAORDINARY MNCJO BOARD

**Date:** 13 November 2020

**Location:** Video - MS Teams

**Time:** 9:30 AM



**ATTENDANCE**

- 2 ACKNOWLEDGEMENT OF COUNTRY**
- 3 APOLOGIES**
- 4 DECLARATION OF PECUNIARY AND NON PECUNIARY INTEREST**
- 5 REPORTS FOR THIS MEETING**
  - 5.1. 2019-2020 GENERAL PURPOSE FINANCIAL STATEMENTS



## 5 REPORTS FOR THIS MEETING

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<b>Item</b>	5.1
<b>Subject</b>	2019-2020 General Purpose Financial Statements
<b>Presented by</b>	

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### RECOMMENDATION

That the Board endorse the 2019-2020 Mid North Coast General Purpose Financial Statements

### EXECUTIVE SUMMARY

The MNCJO Board adopted the Draft MNCJO Financial Statements at the Board meeting held in Port Macquarie on September 25, 2020.

The financial audit of the MNCJO for the period 2019/2020 was completed by auditors Thomas, Nobel and Russell (TNR) and signed off by the office of the Auditor General on October 14, 2020.

*Section 416, 1 (A) of the Local Government Act, 1993, requires that all council financial reports be audited within four months of the end of the financial year (ie October 31, 2020). The Office of Local Government has extended this deadline to November 30, 2020 (Council Circular 20-36, Annexure 2).*

*Section 418 refers to the need for public notice to be given of presentation of financial reports. In particular:*

*Section 418 (1) refers to the need to fix a date for a meeting at which the reports will be presented; and*

*Section 418 (2) refers to the need for public notice of the date to be fixed. This needs to be done 'at least 7 days after which the notice is given but not more than 5 weeks after the auditors reports are given to council'.*

*Section 418 (4) requires councils to have copies of financial reports and audited reports available for inspection by members of the public from the date of the public notice of the meeting until the day after the meeting.*

The MNCJO is complying with public notice requirements by placing a notice in the 'Latest News' section of the MNCJO website.

Section 420 (1-4) of the Act refers to public submissions in relation to the financial reports and auditor's reports. In particular, it notes that submissions need to be in writing and that written submissions must be referred to the auditor.

The MNCJO has complied with the requirements of Sections 416, 418 and 419 of the Local Government Act.

The General Purpose Financial Statements including Reports from the Office of the Auditor General are attached.

### ATTACHMENTS

1. MNCJO General Purpose Reports - 2019 - 2020



# Mid North Coast Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# Mid North Coast Joint Organisation

## General purpose financial statements for the year ended 30 June 2020

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

Mid North Coast Joint Organisation  
Cnr Lord and Burrawan Streets  
Port Macquarie NSW 2444

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.mncjo.nsw.gov.au](http://www.mncjo.nsw.gov.au)

Mid North Coast 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)  
For the year ended 30 June 2020

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 Mid North Coast Joint Organisation's operating result and financial position for the period, and
- accord with Mid North Coast 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 Mid North Council Joint Organisation made on 25 September 2020.

  
\_\_\_\_\_  
Chairperson's name  
Chairperson  
25/09/2020

Liz Campbell  
\_\_\_\_\_

  
\_\_\_\_\_  
Voting Representative Board Member's name  
Voting Representative Board Member  
25/09/2020

Dominic King  
\_\_\_\_\_

  
\_\_\_\_\_  
Executive Officer's name  
Executive Officer  
25/09/2020

Liz Jeremy  
\_\_\_\_\_

## Mid North Coast Joint Organisation

### Income statement and Other Comprehensive Income for the year ended 30 June 2020

		Actual 2020 \$	Actual Period 9 May 2018 to 30 June 2019 \$
	Notes		
<b>Income from continuing operations</b>			
<b>Revenue:</b>			
Member council contributions	2a	185,000	38,182
Grants and contributions provided for operating purposes	2c	317,131	450,000
Other Income	2d	5,661	1,318
Interest and investment revenue	2e	240	442
<b>Total income from continuing operations</b>		<b>508,032</b>	<b>489,942</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	3a	188,860	35,293
Administrative Expenses	3b	71,152	140,371
<b>Total expenses from continuing operations</b>		<b>260,012</b>	<b>175,664</b>
<b>Net operating result for the period</b>		<b>248,020</b>	<b>314,278</b>
<b>Other comprehensive income</b>		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>248,020</b>	<b>314,278</b>

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

The Joint Organisation has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit-Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.



# Mid North Coast Joint Organisation

## Statement of financial position as at 30 June 2020

	Notes	Actual 2020 \$	Actual 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	539,681	336,685
Receivables	6	57,230	5,247
<b>Total current assets</b>		<b>596,911</b>	<b>341,932</b>
<b>Non-current assets</b>			
<b>Total non-current assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>596,911</b>	<b>341,932</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	15,703	25,460
Provisions	11	18,910	2,194
<b>Total current liabilities</b>		<b>34,613</b>	<b>27,654</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>34,613</b>	<b>27,654</b>
<b>Net assets</b>		<b>562,298</b>	<b>314,278</b>
<b>EQUITY</b>			
Accumulated Surplus		562,298	314,278
<b>Total equity</b>		<b>562,298</b>	<b>314,278</b>

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

The Joint Organisation has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit-Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

## Mid North Coast Joint Organisation

### Statement of changes in equity For the period ended 30 June 2020

	Actual 2020 \$		Actual 2019 \$	
	Accumulated Surplus	Total equity	Accumulated Surplus	Total equity
<b>Opening balance</b>	314,278	314,278	-	-
Net operating result for the year	248,020	248,020	314,278	314,278
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	248,020	248,020	314,278	314,278
<b>Closing balance</b>	<b>562,298</b>	<b>562,298</b>	<b>314,278</b>	<b>314,278</b>

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

The Joint Organisation has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit-Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

# Mid North Coast Joint Organisation

## Statement of cash flows for the year ended 30 June 2020

	Notes	Actual 2020 \$	Actual Period 9 May 2018 to 30 June 2019 \$
<b>Cash flows from operating activities</b>			
<b>Receipts:</b>			
Contributions from member councils		135,000	38,182
Investment revenue and interest		240	442
Grants		317,131	450,000
Other		5,661	1,318
<b>Payments:</b>			
Employees and suppliers		(255,036)	(153,257)
<b>Net cash provided from (or used) in operating activities</b>		<b>202,996</b>	<b>336,685</b>
<b>Cash flows from investing activities</b>			
<b>Receipts:</b>			
Other		-	-
<b>Payments:</b>			
Purchase of investments (term deposits)		-	-
<b>Net cash used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
<b>Receipts:</b>			
Proceeds from investments		-	-
<b>Payments:</b>			
Repayment of investments		-	-
<b>Net cash provided by (or used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>202,996</b>	<b>336,685</b>
Cash and cash equivalents at beginning of reporting period		336,685	-
<b>Cash and cash equivalents at end of reporting period</b>	4	<b>539,681</b>	<b>336,685</b>

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

The Joint Organisation has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit-Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

# Mid North Coast 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 for the financial year ended 30 June 2020 and the comparative period from 9 May 2018 to 30 June 2019.

These financial statements were authorised for issue by the Board of the Joint Organisation on 25 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. Mid North Coast 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 Mid North Coast Joint Organisation*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. Mid North Coast 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**

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

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

AASB 1059 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 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*

Mid North Coast 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 9

*Significant judgements in applying the JO accounting policies*

Note 1 Basis of Preparation

(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	
	\$	
<b>Revenue from Contracts with Customers (AASB 15)</b>		
User charges and fees	-	
Grant revenue - operating	-	
Other	5,661	
<b>Total member council contributions</b>	<b>5,661</b>	
<b>Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations - AASB 1058)</b>		
Member Council contributions	185,000	
Grant revenue	317,131	
Other	-	
<b>Total member council contributions</b>	<b>502,131</b>	
	<b>2020</b>	<b>Period 9 May 2018 to 30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Member Council contributions</b>		
Port Macquarie Hastings Council	115,000	12,728
Kempsey Shire Council	45,000	12,727
Bellingen Shire Council	25,000	12,727
<b>Total member council contributions</b>	<b>185,000</b>	<b>38,182</b>

## Note 2 Income from continuing operations

**(c) Grants**

	Operating		Capital	
	2020	Period 9 May 2018 to 30 June 2019	2020	Period 9 May 2018 to 30 June 2019
Office of Local Government (OLG) joint organisation establishment funding	-	300,000	-	-
Office of Local Government (OLG) joint organisation capacity building funding	150,000			
Office of Environment & Heritage - Saving our Species - Koala Recovery Partnership	150,000	150,000	-	-
Office of Environment & Heritage - FABCON grant	17,131			
<b>Total grants</b>	<b>317,131</b>	<b>450,000</b>	<b>-</b>	<b>-</b>
<b>Comprising:</b>				
- State funding	317,131	450,000	-	-
	<b>317,131</b>	<b>450,000</b>	<b>-</b>	<b>-</b>

	Period 9 May 2018 to 30 June 2019	
	2020	2019
<b>(d) Other income</b>		
Other Income	5,661	1,318
<b>Total other income</b>	<b>5,661</b>	<b>1,318</b>
<b>(e) Interest and Investment revenue</b>		
Interest in financial assets measured at amortised cost	240	442
Other	-	-
<b>Total interest and investment revenue (1)</b>	<b>240</b>	<b>442</b>



## Note 2 Income from continuing operations

### 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 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.

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

### Accounting policies for 2020 only

#### 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.

#### 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 obligation is satisfied.

The performance obligations are varied based on the agreement but include reaching project milestones, completion of grant acquittals, whether the grant will be refunded if performance obligations are not met.

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

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

##### **Grant revenue under AASB 1058**

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's fair value when the asset is received. The Mid North Coast Joint Organisation 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.

#### Capital grants

Capital grants received to enable the JO to acquire or construct an item of property, plant and equipment to identified specifications which will be under the JO's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisition of assets, the revenue is recognised when the asset is acquired and controlled by the JO.

## Note 2 Income from continuing operations

**Other revenue**

Where the revenue relates to a contract with a 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 the revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

**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.

## Note 3 Expenses from continuing operations

	Actual 2020 \$	Actual Period 9 May 2018 to 30 June 2019 \$
<b>(a) Employee benefits and on costs</b>		
Salaries and wages	147,142	26,937
Travelling	16,000	3,350
Employee leave entitlements	7,427	2,194
Superannuation	13,956	2,509
Workers' compensation insurance	3,569	303
Fringe benefits taxation	766	-
Other	-	-
<b>Total employee costs expensed</b>	<b>188,860</b>	<b>35,293</b>
<b>(b) Administrative expenses</b>		
Contractor and consultancy costs		
- Executive Officer Services	-	20,610
- University Technology Sydney - Statement of Strategic Regional Priorities	-	8,134
- University Technology Sydney - Draft Communications Plan	-	12,390
- University Technology Sydney - Project Management	-	5,000
- University Technology Sydney - Survey Questionnaire Design	-	5,000
- University Technology Sydney - Micromex Research- Community Survey	30,000	64,700
Advertising	2,290	3,357
Remuneration of auditors	6,660	6,500
Catering	1,315	732
Office Expenses	7,829	9,306
Other	15,887	1,867
Sitting Fees	3,500	-
Travelling	3,671	2,775
<b>Total administrative expenses</b>	<b>71,152</b>	<b>140,371</b>
<b>Auditors' remuneration</b>		
Auditors of the JO - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	6,660	6,500
<b>Total fees paid or payable to the Auditor-General</b>	<b>6,660</b>	<b>6,500</b>
<b>Total remuneration of auditors</b>	<b>6,660</b>	<b>6,500</b>

Note 3 Expenses from continuing operations

Accounting policy for expenses

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

**Administrative Expenses** are recorded on an accruals basis at the JO receives the goods or services.

## Note 4 Cash and cash equivalents

	Actual 2020 \$	Actual 2019 \$
Cash at bank and on hand	539,681	336,685
Deposits at call	-	-
	<b>539,681</b>	<b>336,685</b>
<b>Restricted cash and cash equivalents</b>		
External restrictions	276,520	-
Unrestricted	263,161	-
	<b>539,681</b>	<b>-</b>

**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		2019	
	Current	Non-Current	Current	Non-Current
	\$	\$	\$	\$
<b>Purpose</b>				
Receivables from member councils	55,000	-	-	-
Grant receivables	-	-	-	-
Other (GST receivable)	2,065	-	5,247	-
Other	165	-	-	-
<b>Total</b>	<b>57,230</b>	<b>-</b>	<b>5,247</b>	<b>-</b>
<b>Less: Provision for impairment:</b>				
Other	-	-	-	-
	-	-	-	-
<b>Net Receivables</b>	<b>57,230</b>	<b>-</b>	<b>5,247</b>	<b>-</b>

**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 AASB 9, 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.

The Joint Organisation has not recognised a provision for impairment at 30 June 2020 on the basis that the Joint Organisation has no history of credit losses being incurred.

## Note 6 Leases

The JO has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

### (a) Mid North Coast JO as a lessee

The JO has one lease for a vehicle. Information relating to the lease in place and associated balances and transactions is provided below.

The JO has been provided with a vehicle for use in its operations. There is no official lease and the lessor can request the return of the vehicle at any time.

This lease is considered a short-term lease and as such is exempt from AASB 16 reporting.

#### Accounting policy

##### Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, the JO assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

The JO has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, the JO recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the JO believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the JO's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

##### Exceptions to lease accounting

The JO has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The JO recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

##### Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 3b

## Note 7 Payables

	2020		2019	
	Current \$	Non- Current \$	Current \$	Non- Current \$
<b>Payables</b>				
Trade payables	796	-	7,177	-
Accrued expenses	14,907	-	18,283	-
Other payables	-	-	-	-
<b>Total payables</b>	<b>15,703</b>	<b>-</b>	<b>25,460</b>	<b>-</b>

**(d) Financing arrangements****2020****2019****Total facilities**

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

- Bank overdraft facility	-	-
- Corporate credit cards	-	-
	<u>-</u>	<u>-</u>

**Drawn facilities**

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

- Bank overdraft facility	-	-
- Corporate credit cards	-	-
	<u>-</u>	<u>-</u>

**Undrawn facilities**

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

- Bank overdraft facilities	-	-
- Purchase Cards	-	-
	<u>-</u>	<u>-</u>

**Accounting policy for payables and borrowings**

The Mid North Coast Joint Organisation 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.

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

	2020		2019	
	Current	Non-Current	Current	Non-Current
	\$	\$	\$	\$
<b>Employee benefits provisions</b>				
Annual leave	4,790	-	2,194	-
Long service leave	14,120	-	-	-
<b>Total provisions</b>	<b>18,910</b>	<b>-</b>	<b>2,194</b>	<b>-</b>
<b>Current provisions not expected to be settled within the next 12 months</b>				
	<b>7,113</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 9 Changes in accounting policy

### Changes in accounting policy due to adoption of new Accounting Standards

During the year ended 30 June 2020, Mid North Coast 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:

- \* Mid North Coast Joint Organisation 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
- \* Mid North Coast Joint Organisation 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 Mid North Coast Joint Organisation 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 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 item being contract liability has been created.

#### **Financial statement impact of adoption of AASB15 and AASB1058**

There was no significant impact on the recognition of revenue as a result of adopting these new standards.

## Note 9 Changes in accounting policy

### **AASB 16 Leases**

#### **Mid North Coast Joint Organisation as a lessee**

Under AASB 117, Mid North Coast Joint Organisation assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to the JO or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

The JO has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

#### *Practical expedients used on transition*

AASB 16 includes a number of practical expedients which can be used on transition. Mid North Coast JO has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the JO's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
  
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- For leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

#### **Financial statement impact of adoption of AASB 16**

Mid North Coast JO has not recognised a right-of-use asset or lease liability at 30 June 2020 as the lease contained in the JO's Income Statement is considered a short term lease and as such exempt from AASB 16 reporting.

## Note 10 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 11 Financial risk management

Risk management

The Mid North Coast 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 JO Board.

The fair value of receivables, investments and financial liabilities 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 \$79,511

### Other transactions with KMP and their related parties

Item No	Nature of the transaction	Amount of the transactions during the period (\$)	Outstanding balances, including commitments at year end (\$)	Terms and conditions	Provisions for impairment of receivables related to the amount of outstanding balances (\$)	The expense recognised during the period relating to bad or doubtful debts due from related parties (\$)
2020	-	-	-	-	-	-

### Other related parties

Item No	Nature of the transaction	Amount of the transactions during the period (\$)	Outstanding balances, including commitments at year end (\$)	Terms and conditions	Provisions for impairment of receivables 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

Events that occur after the reporting date of 30 June 2020, and up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report. The JO has determined the date of the Auditors' Report as the appropriate "authorised for issue" date relating to this General Purpose Financial Report.

Subsequent to year end the JO returned \$16,757 of funding received from the Office of Environment and Heritage in relation to a project that the JO was no longer undertaking.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the JO or the results of those operations.

Mid North Coast Joint Organisation

General Purpose Audit Reports

for the year ended 30 June 2020





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Mid North Coast Joint Organisation

To the Board of the Mid North Coast Joint Organisation

### Opinion

I have audited the accompanying financial statements of Mid North Coast 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:

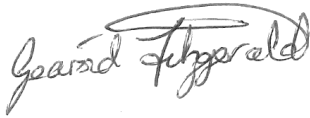
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://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.



Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

14 October 2020  
SYDNEY



Liz Jeremy  
Acting Executive Officer  
Mid North Coast Joint Organisation  
c/- Port Macquarie-Hastings Council  
PO Box 84  
PORT MACQUARIE NSW 2444

Contact: Gearoid Fitzgerald  
Phone no: 9275 7392  
Our ref: D2023057/1867

14 October 2020

Dear Mrs Jeremy

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Mid North Coast Joint Organisation**

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

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

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

## **PERFORMANCE**

### **Net operating result**

The Joint Organisation's net operating result for the year ended 30 June 2020 was \$248,020.

The Joint Organisation's primary income source during the year was from operating grants of \$317,131 which contributed to 62.4 per cent of the Joint Organisation's total income from continuing operations of \$508,032. This included a \$150,000 Capacity Building grant from the NSW Government and a \$150,000 Koala Recovery Partnership conservation grant from the former Office of Environment & Heritage. The Joint Organisation also received \$185,000 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the period was \$260,012 which primarily consisted of employee benefits and on-costs of \$188,860 and administration expenses of \$71,152.

### **Financial position**

At 30 June 2020, the Joint Organisation had total assets of \$596,911 and net assets of \$562,298. The Joint Organisation's main assets consist of cash of \$539,681 and receivables of \$57,230.

## 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 provides guidance to help 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 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.

The Joint Organisation disclosed the impact of adopting AASB 16 in Note 10.

### 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.



Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

cc: Cr Liz Campbell, Chairperson  
Jim Betts, Secretary of the Department of Planning, Industry and Environment