



General purpose financial statements for the year ended 30 June 2020

Contents

| | |
|---|----|
| Statement by Members of the Board and Management..... | 2 |
| Income Statement and Other Comprehensive Income | 3 |
| Statement of Financial Position | 4 |
| Statement of Changes in Equity..... | 5 |
| Statement of Cash Flows..... | 6 |
| Notes to the Financial Statements..... | 7 |
| Independent Auditors Report..... | 23 |

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

Hunter Joint Organisation
59 Bonville Avenue
Thornton NSW 2322

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.hunterjo.com.au



Statement by Members of the Board and Management

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

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

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

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

- present fairly Hunter Joint Organisation's operating result and financial position for the period
- accord with Hunter 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 Hunter Joint Organisation made on 26 November 2020.

Handwritten signature of Cr Bob Pynsent in black ink, written over a horizontal line.

Cr Bob Pynsent

Chairperson

Date: 26/11/2020

Handwritten signature of Cr Loretta Baker in black ink, written over a horizontal line.

Cr Loretta Baker

Voting Representative Board Member

Date: 27/11/2020

Handwritten signature of Joe James in blue ink, written over a horizontal line.

Joe James

Chief Executive Officer

Date: 28/11/2020



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

| | | 2020 | Actual Period 9 May 2018 to 30 June 2019 |
|--|-------|------------------|---|
| | Notes | \$ | \$ |
| Income from continuing operations | | | |
| Member council contributions | 2a | 164,869 | 200,000 |
| Grants provided for operating purposes | 2b | 1,736,367 | 660,794 |
| Other income | 2c | 100,000 | 545,000 |
| Interest and investment revenue | 2d | 2,902 | 4,641 |
| Total income from continuing operations | | 2,004,138 | 1,410,435 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | | 308,378 | 307,590 |
| Project expenses | | 1,677,859 | 511,880 |
| Depreciation | 6 | 11,766 | 3,348 |
| Administrative expenses | 3 | 179,519 | 138,293 |
| Total expenses from continuing operations | | 2,177,522 | 961,111 |
| Net result for the period | | (173,384) | 449,324 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (173,384) | 449,324 |

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.



Statement of Financial Position

Statement of Financial Position as at 30 June 2020

| | | 2020 | 2019 |
|--------------------------------------|-------|----------------|----------------|
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 269,397 | 269,434 |
| Receivables | 5 | 118,635 | 196,089 |
| Prepayments | | 749 | 777 |
| Total current assets | | 388,781 | 466,300 |
| Non-current assets | | | |
| Plant and equipment | 6 | 42,465 | 54,232 |
| Other | | 1 | - |
| Total non-current assets | | 42,466 | 54,232 |
| Total assets | | 431,247 | 520,532 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 7 | 125,282 | 58,273 |
| Borrowings | 7 | 1,353 | 3,000 |
| Provisions | 8 | 25,691 | 9,589 |
| Total current liabilities | | 152,326 | 70,862 |
| Non-current liabilities | | | |
| Provisions | 8 | 2,981 | 346 |
| Total non-current liabilities | | 2,981 | 346 |
| Total liabilities | | 155,307 | 71,208 |
| Net assets | | 275,940 | 449,324 |
| EQUITY | | | |
| Accumulated surplus | | 275,940 | 449,324 |
| Total equity | | 275,940 | 449,324 |

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.



Statement of Changes in Equity

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

| | 2020 | | 2019 | |
|---|---------------------|----------------|---------------------|----------------|
| | \$ | | \$ | |
| | Accumulated surplus | Total equity | Accumulated surplus | Total equity |
| Opening balance | 449,324 | 449,324 | - | - |
| Changes due to AASB 16 adoption | - | - | - | - |
| Changes due to AASB 15 and AASB 1058 adoption -refer Note 9 | - | - | - | - |
| Restated opening balance | 449,324 | 449,324 | - | - |
| Net operating result for the period | (173,384) | (173,384) | 449,324 | 449,324 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 449,324 | 449,324 |
| Closing balance | 275,940 | 275,940 | 449,324 | 449,324 |

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.



Statement of Cash Flows

Statement of Cash Flows for the year ended 30 June 2020

| | 2020 | Period from 9 May 2018 to 30 June 2019 |
|---|----------------|--|
| | \$ | \$ |
| Cash flows from operating activities | | |
| <i>Receipts:</i> | | |
| Contributions from member councils | 164,869 | 172,060 |
| User charges and fees | | |
| Investments revenue and interest | 7,499 | 44 |
| Grants | 1,268,662 | 660,794 |
| Other | 683,392 | 381,016 |
| <i>Payments:</i> | | |
| Employees and suppliers | (2,130,459) | (889,901) |
| Net cash provided from (or used) in operating activities | (6,037) | 324,013 |
| Cash flows from investing activities | | |
| <i>Payments:</i> | | |
| Purchase of property, plant and equipment | - | (57,579) |
| Net cash provided from (or used in) investing activities | - | (57,579) |
| Cash flows from financing activities | | |
| <i>Receipts</i> | | |
| Credit card facility | 6,000 | 3,000 |
| | | |
| | | |
| Net cash provided from (or used in) financing activities | 6,000 | 3,000 |
| | | |
| Net increase /(decrease) in cash and cash equivalents | (37) | 269,434 |
| | | |
| Cash and cash equivalents at beginning of reporting period | 269,434 | - |
| Cash and cash equivalents at end of reporting period | 269,397 | 269,434 |

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.



Notes to the Financial Statements

Notes to the year ended to 30 June 2020

| Contents of the Notes to the Financial Statements | | Page |
|--|-----------------------------------|-------------|
| Note 1 | Basis of preparation | 8 |
| Note 2 | Income | 10 |
| Note 3 | Expenses | 13 |
| Note 4 | Cash and cash equivalents | 14 |
| Note 5 | Receivables | 14 |
| Note 6 | Property, plant and equipment | 15 |
| Note 7 | Payables and borrowings | 16 |
| Note 8 | Provisions | 17 |
| Note 9 | Change in accounting policy | 18 |
| Note 10 | Commitments | 18 |
| Note 11 | Contingencies | 18 |
| Note 12 | Financial risk management | 18 |
| Note 13 | Related party disclosures | 19 |
| Note 14 | Events after the reporting period | 22 |



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 26/11/2020. 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. HJO 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 HJO

Refer to Note 9 for new and amended standards adopted by the JO during the reporting period.

(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

HJO 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:

- Employee benefit provisions – refer Note 8

(d) Accounting standards issued not yet effective

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities is a new Standard that sets out the separate disclosure requirements for all entities reporting under the Tier 2 of the Differential Reporting Framework in AASB 1053. AASB 1060 has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary for meeting users' needs.

AASB 1060 does not change:

- which entities are permitted to apply Tier 2 reporting requirements; and
- the recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

AASB 1060 effective for annual periods beginning or after 1 July 2021 with early application permitted.

HJO does not expect AASB 1060 to have a material impact.



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

| | | 2020 | | Period from 9 May 2018 to 30 June 2019 |
|--|------------------|--|----------------|--|
| | | \$ | | \$ |
| (a) Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB1058) | | | | |
| Grant Revenue & other income | | 1,836,367 | | 1,205,794 |
| Member Council contributions | | | | |
| Cessnock City Council | | 20,000 | | 20,000 |
| Dungog Shire Council | | 9,517 | | 20,000 |
| Lake Macquarie City Council | | 20,000 | | 20,000 |
| Maitland City Council | | 20,000 | | 20,000 |
| MidCoast Council | | 20,000 | | 20,000 |
| Muswellbrook Shire Council | | 10,877 | | 20,000 |
| Newcastle City Council | | 20,000 | | 20,000 |
| Port Stephens Council | | 20,000 | | 20,000 |
| Singleton Council | | 13,596 | | 20,000 |
| Upper Hunter Shire Council | | 10,877 | | 20,000 |
| Total member council contributions | | 164,869 | | 200,000 |
| Total | | 2,001,236 | | 1,405,794 |
| (b) Grants | | | | |
| | Operating | | Capital | |
| | | Period 9 May 2018 To 30 June 2019 | | Period 9 May 2018 To 30 June 2019 |
| | 2020 | 2020 | 2020 | 2020 |
| | \$ | \$ | \$ | \$ |
| OLG Joint Organisation establishment / capacity building funding | 150,000 | 300,000 | - | - |
| Waste Action, Recycle | 431,892 | - | - | - |
| Contaminated Land Program | 179,400 | 176,700 | - | - |
| Small business promotion | 418,570 | - | - | - |
| Litter prevention and reduction | 21,100 | 75,900 | - | - |
| Hunter Transition Foundation | 150,000 | - | - | - |
| CRIP & Resilience programs | 265,435 | - | - | - |
| Film Festival | 35,640 | - | - | - |
| DPC funding | 81,428 | 108,194 | - | - |
| Total grants | 1,733,465 | 660,794 | - | - |
| | Operating | | Capital | |
| | 2020 | Period 9 May 2018 | 2020 | Period 9 May 2018 |



| Comprising: | | To 30 June 2019 | | To 30 June 2019 |
|--|------------------|--------------------|----------------|--|
| | \$ | \$ | \$ | \$ |
| - State funding | 1,441,492 | 624,094 | - | - |
| - Other funding | 291,973 | 36,700 | - | - |
| | 1,733,465 | 660,794 | - | - |
| (c) Other income | | | | |
| | | | 2020 | Period 9 May 2018 To 30 June 2019 |
| | | | \$ | \$ |
| Procurement rebates | | | | |
| Admin fees | | | 100,000 | 545,000 |
| Total other revenue | | | 100,000 | 545,000 |
| (d) Interest and investment income | | | | |
| Interest on financial assets measured at amortised cost | | | 2,902 | 4,641 |
| Total interest and investment revenue | | | 2,902 | 4,641 |

Accounting policy for income

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

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

The methodology for determining the contribution is:

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

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

Interest Income is recognised using the effective interest rate at the date that interest is earned.



Accounting Policies for 2020

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. The performance obligations are varied based on the agreement. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant revenue under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the asset's fair value when the asset is received. The JO considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable 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 acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the JO.

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.

Accounting Policies for 2019

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

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

| | 2020 | Period from 9 May 2018 to 30 June 2019 |
|--|----------------|--|
| Administrative Expenses | \$ | \$ |
| Finance & Administrative services (Strategic Services Australia Limited) | 61,704 | 60,624 |
| Remuneration of auditors | 11,080 | 19,000 |
| IT expenses | 5,703 | 1,885 |
| Board meeting expenses | 14,815 | 24,527 |
| Motor Vehicles expenses | 9,456 | 3,489 |
| Office space rent & outgoings | 33,084 | 17,400 |
| Insurance | 7,734 | 1,451 |
| Travel & accommodation | 10,782 | 7,611 |
| Other | 25,161 | 2,306 |
| Total administrative expenses | 179,519 | 138,293 |
| Auditors' remuneration | | |
| Auditors of Hunter Joint Organisation– NSW Auditor-General | | |
| (i) Audit and other assurance services | | |
| Audit of financial statements | 11,080 | 19,000 |
| Other assurance services | - | - |
| Total remuneration for audit and other assurance services | 11,080 | 19,000 |
| (ii) Other non-assurance services | - | - |
| Total fees paid or payable to the Auditor-General | 11,080 | 19,000 |

Accounting policy for expenses

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

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

Borrowing costs are expensed as incurred.

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

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

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



Note 4: Cash and cash equivalents

| | 2020 | 2019 |
|---|----------------|----------------|
| | \$ | \$ |
| Cash at bank and on hand | 269,397 | 269,434 |
| Deposits at call | - | - |
| | 269,397 | 269,434 |
| Restricted cash and cash equivalents | | |
| External restrictions | - | - |
| Internal restrictions | - | - |
| Unrestricted | - | - |

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 | Current |
| | \$ | \$ |
| Receivables from member councils | | |
| Trade receivables | 118,635 | 32,340 |
| Related Party Loan | - | 159,152 |
| Interest | - | 4,597 |
| Total | 118,635 | 196,089 |
| Less: provision for impairment: | - | - |
| Net receivables | 118,635 | 196,089 |

Accounting policy for receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis. The JO applies the simplified approach for receivables in providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.



Note 6: Property, plant and equipment

| By Asset Class | At 1 July 2019 | | | Movements During the Period | | | At 30 June 2020 | | |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------------|-----------|----------------------|-----------------------|---------------------------|---------------------|
| | Gross carrying amount | Acc. Depn and Impairment | Net carrying amount | Additions | Disposals | Depn. And Impairment | Gross carrying amount | Acc. Depn. and Impairment | Net carrying amount |
| 2020 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Office equipment | 1,876 | 99 | 1,777 | - | - | 625 | 1,876 | 724 | 1,152 |
| Furniture and fittings | | | | | | | | | |
| Vehicles | 55,703 | 3,249 | 52,455 | - | - | 11,141 | 55,703 | 14,390 | 41,313 |
| Other (specify) | | | | | | | | | |
| Totals | 57,579 | 3,348 | 54,232 | - | - | 11,766 | 57,579 | 15,114 | 42,465 |

| By Asset Class | At 9 May 2018 | | | Movements During the Period | | | At 30 June 2019 | | |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------------|-----------|----------------------|-----------------------|---------------------------|---------------------|
| | Gross carrying amount | Acc. Depn and Impairment | Net carrying amount | Additions | Disposals | Depn. And Impairment | Gross carrying amount | Acc. Depn. and Impairment | Net carrying amount |
| 2019 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Office equipment | - | - | - | 1,876 | - | (99) | 1,876 | (99) | 1,777 |
| Furniture and fittings | | | | | | | | | |
| Vehicles | - | - | - | 55,703 | - | (3,249) | 55,703 | (3,249) | 52,455 |
| Others (specify) | | | | | | | | | |
| Totals | - | - | - | 57,579 | - | (3,348) | 57,579 | (3,348) | 54,232 |



Accounting policy for property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the JO and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement and Other Comprehensive Income during the financial period in which they are incurred. When property, plant and equipment are acquired by the JO for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

The useful life of Office equipment is determined as five years, and Vehicles as three years.

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

Note 7 Payables and borrowings

| | 2020 | 2019 |
|--|----------------|---------------|
| Payables | | |
| Trade payables | 51,619 | 3,780 |
| Accrued expenses | 25,756 | 26,531 |
| Other payables | 47,907 | 27,962 |
| Total Payables | 125,282 | 58,273 |
| Borrowings | | |
| Credit Cards | 1,353 | 3,000 |
| Total borrowings | 1,353 | 3,000 |
| Financing Arrangements | 2020 | 2019 |
| | \$ | \$ |
| Total Facilities | | |
| The amount of total financing facilities available to the JO at the reporting date is: | | |
| - Bank overdraft facility | - | - |
| - Corporate credit cards | 6,000 | 3,000 |
| Drawn Facilities | | |
| The amount of financing facilities drawn down at the reporting date is: | | |
| - Bank overdraft facility | - | - |
| - Corporate credit cards | 1,353 | 3,000 |
| Undrawn Facilities | | |
| The amount of undrawn financing facilities available to the JO at the reporting date is: | | |
| - Bank overdraft facility | - | - |
| - Corporate credit cards | 4,647 | Nil |



Accounting policy for payables and borrowings

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

Note 8: Provisions

| | 2020 | | 2019 | |
|--|---------------|-------------------|---------------|-------------------|
| | Current \$ | Non-current \$ | Current \$ | Non-current \$ |
| Annual leave | 25,691 | - | 9,589 | - |
| Long Service Leave | - | 2,981 | - | 346 |
| Total provisions | 25,691 | 2,981 | 9,589 | 346 |
| Current provisions not expected to be settled within the next 12 months | Nil | n/a | Nil | n/a |

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 at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and



periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

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

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

Note 9: Change in accounting policy

Changes in accounting policy due to adoption of new Accounting Standards

During the year ended 30 June 2020, HJO 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 adoption of AASB 15 and AASB 1058 has not had a material impact as there were no contracts which contained sufficiently specific performance obligations and therefore no contract liability has been recognised at 30 June 2020.

AASB 16 Leases

The adoption of AASB 16 has not had a material impact on the Hunter Joint Organisation as it had no leases during the period ended 30 June 2020.

Note 10: Commitments

The Hunter Joint Organisation has no commitments at the period ended 30 June 2020.

Note 11: Contingencies

The Hunter Joint Organisation has no contingent assets or contingent liabilities at 30 June 2020.

Note 12: Financial risk management

Risk Management

The Hunter 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 Hunter Joint



Organisation Board.

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

Note 13: Related party disclosures

Key management personnel

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

The aggregate amount of KMP compensation included in the Income Statement and Other Comprehensive Income is \$292,669.

Other related parties

| Type of related party: | Nature of the transactions | Amount of the transactions during the period | Outstanding balances, including commitments at period end | Terms and conditions | Provisions for doubtful debts | Expense recognised during the period relating to bad or doubtful debts |
|--|--|--|---|----------------------|-------------------------------|--|
| 2020 | | | | | | |
| Strategic Services Australia Ltd – local gov't owned operating entity | Loan to SSA – balance @ 30 June | \$0 | \$0 | Net 30 days | \$0 | \$0 |
| | Interest received | \$2,902 | \$0 | Net 30 days | \$0 | \$0 |
| | Rent paid | \$21,084 | \$0 | Net 30 days | \$0 | \$0 |
| | Grant funds obtained and transferred to related party to undertake grant functions | \$923,629 | \$0 | n/a | \$0 | \$0 |
| | Admin fees paid | \$93,229 | \$0 | Net 30 days | \$0 | \$0 |
| | Admin fees received | \$199,256 | \$0 | Net 30 days | \$0 | \$0 |
| | IT costs incurred | \$1,824 | \$0 | Net 30 days | \$0 | \$0 |
| | Project contributions | \$100,000 | \$0 | Net 30 days | \$0 | \$0 |
| Hunter Councils Incorporated – local gov't owned association | Rent paid | \$12,000 | \$0 | Net 30 days | \$0 | \$0 |
| Lake Macquarie City Council | Subscriptions | \$20,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| | Project Funding | \$4,000 | | | | |
| Newcastle City Council | Subscriptions | \$20,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| | Project Funding | \$4,000 | | | | |
| Port Stephens Council | Subscriptions | \$20,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| | Project Funding | \$4,000 | | | | |
| Mid Coast Council | Subscriptions | \$20,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| | Project Funding | \$4,000 | | | | |
| Upper Hunter Shire Council | Subscriptions | \$10,877 | \$3,300 | Net 30 days | \$0 | \$0 |
| | Project Funding | \$3,000 | | | | |



| | | | | | | |
|--|---|---------------------|---------|----------------|-----|-----|
| Singleton Council | Subscriptions Project Funding | \$13,596 \$3,300 | \$0 | Net 30 days | \$0 | \$0 |
| Dungog Shire Council | Subscriptions Project Funding | \$9,517 \$2,400 | \$2,640 | Net 30 days | \$0 | \$0 |
| Muswellbrook Shire Council | Subscriptions Project Funding | \$10,877 \$2,700 | \$0 | Net 30 days | \$0 | \$0 |
| Cessnock City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Maitland City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$0 | Net 30 days | \$0 | \$0 |
| 2019 | | | | | | |
| Strategic Services Australia Ltd – local gov't owned operating entity | Loan to SSA – balance @ 30 June | \$159,152 | \$0 | Net 30 days | \$0 | \$0 |
| | Interest received | \$4,596 | \$0 | Net 30 days | \$0 | \$0 |
| | Rent paid | \$6,000 | \$0 | Net 30 days | \$0 | \$0 |
| | Grant funds obtained and transferred to related party to undertake grant functions | \$252,600 | \$0 | n/a | \$0 | \$0 |
| | Admin fees paid | \$187,579 | \$0 | Net 30 days | \$0 | \$0 |
| | Admin fees received | \$21,115 | \$0 | Net 30 days | \$0 | \$0 |
| | IT costs incurred | \$1,584 | \$0 | Net 30 days | \$0 | \$0 |
| | Project contributions | \$545,000 | \$0 | Net 30 days | \$0 | \$0 |
| Hunter Councils Incorporated – local gov't owned association | Rent paid | \$12,000 | \$0 | Net 30 days | \$0 | \$0 |
| Lake Macquarie City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Newcastle City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Port Stephens Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Mid Coast Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Upper Hunter Shire Council | Subscriptions Project Funding | \$20,000 \$3,000 | \$3,300 | Net 30 days | \$0 | \$0 |



| | | | | | | |
|----------------------------|----------------------------------|---------------------|---------|-------------|-----|-----|
| Singleton Council | Subscriptions Project Funding | \$20,000 \$3,300 | \$0 | Net 30 days | \$0 | \$0 |
| Dungog Shire Council | Subscriptions Project Funding | \$20,000 \$2,400 | \$2,640 | Net 30 days | \$0 | \$0 |
| Muswellbrook Shire Council | Subscriptions Project Funding | \$20,000 \$2,700 | \$0 | Net 30 days | \$0 | \$0 |
| Cessnock City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$4,400 | Net 30 days | \$0 | \$0 |
| Maitland City Council | Subscriptions Project Funding | \$20,000 \$4,000 | \$0 | Net 30 days | \$0 | \$0 |

Note 14: Events occurring after reporting date

There have been no subsequent events post 30 June 2020.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hunter Joint Organisation

To the Board of the Hunter Joint Organisation

Opinion

I have audited the accompanying financial statements of Hunter 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.



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY