



General purpose financial statements for the year ended 30 June 2021

Contents

Statement by Members of the Board and Management	2
Statement of Income and Accumulated Surplus	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements.....	6
Independent Auditors Report.....	22

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 – Simplified Disclosures 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 30 November 2021.

A handwritten signature in black ink that reads "Bob Pynsent".

Cr Bob Pynsent

Chairperson

Date: 30.11.2021

A handwritten signature in black ink that reads "Sue Moore".

Cr Sue Moore

**Voting Representative Board
Member**

Date: 30.11.2021

A handwritten signature in black ink that reads "Joe James".

Joe James

Chief Executive Officer

Date: 30.11.2021



Statement of Income and Accumulated Surplus

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Income			
Member council contributions	B1-1	552,500	164,869
Grants provided for operating purposes	B1-2	1,771,544	1,736,367
Interest and investment income	B1-3	594	2,902
Other Income	B1-4	601,631	100,000
Total Income		2,926,269	2,004,138
Expenses			
Employee benefits and on-costs		314,355	308,378
Administrative expenses	B2-1	245,877	179,519
Depreciation	C1-3	11,766	11,766
Project expenses		2,513,434	1,677,859
Total expenses		3,085,432	2,177,522
Net operating result for the year		(159,163)	(173,384)
Net result for the year		(159,163)	(173,384)
Accumulated surplus at 1 July		275,940	449,324
Restatement of accumulated surplus for changes in accounting policy			
Restatement of accumulated surplus for corrections in prior period errors			
Accumulated surplus as at 30 June		116,777	275,940

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



Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and Cash equivalents	C1-1	595,420	269,397
Receivables	C1-2	7,320	118,635
Other		750	750
Total Current Assets		603,490	388,782
Non-Current Assets			
Property, plant and equipment	C1-3	30,699	42,465
Total Non-Current Assets		30,699	42,465
Total Assets		634,189	431,247
LIABILITIES			
Current Liabilities			
Payables	C2-1	108,226	125,282
Borrowings	C2-2	345,764	1,353
Employee benefit provisions	C2-3	53,132	25,691
Total Current Liabilities		507,122	152,326
Non-Current Liabilities			
Employee benefit provisions	C2-3	10,290	2,981
Provisions			
Total Non-Current Liabilities		10,290	2,981
Total Liabilities		517,412	155,307
Net Assets		116,777	275,940
EQUITY			
Accumulated Surplus		116,777	275,940
Total Equity		116,777	275,940

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



Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts:			
Contributions from member councils		607,750	164,869
Grants		1,526,437	1,268,662
Interest received		20	7,499
Other		683,751	683,392
Payments:			
Employees and suppliers		(2,491,935)	(2,130,459)
Net cash flows from operating activities		<u>326,023</u>	<u>(6,037)</u>
Cash flows from financing activities			
Receipts:			
Credit Card facility			6,000
Net cash flows from financing activities		<u>0</u>	<u>6,000</u>
Net change in cash and cash equivalents		<u>326,023</u>	<u>(37)</u>
Cash and cash equivalents at beginning of year		<u>269,397</u>	<u>269,434</u>
Cash and cash equivalents at end of year	C1-1	<u>595,420</u>	<u>269,397</u>

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



Notes to the Financial Statements

Notes to the year ended to 30 June 2021

Contents of the Notes to the Financial Statements		Page
A	About the Joint Organisation and these financial statements	8
B	Financial Performance	10
C	Financial Position	13
D	Risks and accounting uncertainties	14
E	People and relationships	14
F	Other matters	15



A. About the Joint Organisation and these financial statements

A1: Basis of preparation

These financial statements were authorised for issue by the Board of the Joint Organisation on 30/11/21. 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 – Simplified Disclosures, 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

The Hunter Joint Organisation has early adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, the adoption of this standard has not affected the reported financial position or performance of the Hunter Joint Organisation, however certain disclosures have been added, amended or omitted.

(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 C2-3



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.



B. Financial Performance

B1 Sources of Income

B1-1 Member Council contributions

	2021	2020
	\$	\$
Cessnock City Council	47,190	20,000
Dungog Shire Council	28,516	9,517
Lake Macquarie City Council	104,666	20,000
Maitland City Council	58,195	20,000
Midcoast City Council	64,864	20,000
Newcastle City Council	98,143	20,000
Muswellbrook Shire Council	32,899	10,877
Port Stephens Council	51,717	20,000
Singleton Council	35,240	13,596
Upper Hunter Shire Council	31,070	10,877
Total member council contributions	552,500	164,867

Accounting policy for income

Contributions by Member Councils are recognised as revenue at the point in time 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.



B1-2 Grants

	Operating 2021	2020
	\$	\$
OLG Joint Organisation establishment / capacity building funding	150,000	150,000
Waste Action, Recycle	485,488	431,892
Contaminated Land Program	140,000	179,400
Small Business promotion	396,348	418,570
Litter prevention and reduction	0	21,100
Hunter Transition Foundation		150,000
CRIP & Resilience programs	210,000	265,435
Film Festival	0	35,640
DPC Funding	0	81,428
Cruise Hunter	10,000	0
Upper Hunter CRC Education	47,849	0
OEM Disaster preparedness	13,300	0
Coastal Engagement	96,000	0
Simtables	210,000	0
Other	12,559	0
Total grants	1,771,544	1,733,465

Comprising:

Commonwealth funding		
State funding	1,352,637	1,441,492
Other funding	418,907	291,973
	1,771,544	1,733,465

Timing of revenue recognition

Grants recognised over time		
Grants recognised at a point in time	1,771,544	1,733,465
Total grants	1,771,544	1,733,465

Other Funding is made up additional contributions from Hunter councils for the following projects;

Small Business promotion	396,348
Cruise Hunter	10,000
Other	12,559

Accounting policy

Grants - enforceable agreement with sufficiently specific performance obligations

Grant revenue arising from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

Capital grants

Capital grants received under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under the JO's control on completion 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.

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

Other grants

Assets (e.g. cash) received from other grants are recognised at 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



B1-3 Interest and investment income

	2021	2020
	\$	\$
Interest on financial assets measured at amorised cost	594	2,902
Total interest and investment income	594	2,902

Accounting policy for expenses

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

B1-4 Other income

	2021	2020
	\$	\$
Admin Fees	600,004	100,000
Other	1,627	
Total other income	601,631	100,000

Accounting policy

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



B2 Costs of providing services

B2-1 Administrative Expenses

	2021	2020
	\$	\$
Finance & Administrative Services	90,900	61,704
Remuneration of Auditors	15,000	11,080
IT Expenses	17,540	5,703
Board Meeting Expenses	13,216	14,815
Motor Vehicle Expenses	9,207	9,456
Office Space rent & outgoings	53,448	33,084
Insurance	9,294	7,734
Travel & Accommodation	8,417	10,782
Other	28,855	25,161
Total Administrative Expenses	245,877	179,519

Accounting policy

Employee benefit 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.

Administrative expenses

Administrative expenses are recorded on an accruals basis as the Hunter Joint Organisation receives the goods or services.

Project Expenses for the year ended were \$2,513,434.



C. Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	595,420	269,397
	595,420	269,397
Restricted cash and cash equivalents		
Unrestricted	595,420	269,397
	595,420	269,397
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	595,420	269,397
Balance as per Statement of Cash Flows	595,420	269,397

Accounting policy

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.



C1-2 Receivables

	2021	2020
	\$	\$
Receivables from member councils	3,840	8,030
Grant receivables	3,300	110,605
Trade Receivables	180	-
Total	7,320	118,635
Less: Provision for impairment:	-	-
Net Receivables	7,320	118,635

Accounting policy

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, debtors have been grouped based on shared credit risk characteristics and the days past due.



C1-3 Property, plant and equipment

	As at 1 July 2020			Movements During the Period			As at 30 June 2021		
	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Office Equipment	1,876	(724)	1,152	0	0	(626)	1,876	(1,350)	526
Furniture & Fittings	0	0	0	0	0	0	0	0	0
Vehicles	55,703	(14,390)	41,313	0	0	(11,141)	55,703	(25,531)	30,172
Other	0	0	0	0	0	0	0	0	0
Totals	57,579	(15,114)	42,465	0	0	(11,767)	57,579	(26,881)	30,698

Accounting policy

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 expensed during the year in which they are incurred.

When property, plant and equipment are acquired by the JO for significantly less than fair value, 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.



C2 Liabilities of the Joint Organisation

C2-1 Payables

	2021	2020
	\$	\$
Trade Payables	15,447	51,619
Accrued Expenses	25,747	25,756
Other Payables	67,032	47,907
Total Payables	108,226	125,282

Accounting Policy

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.

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.



C2-2 Borrowings

	2021	2020
	\$	\$
Borrowings		
Loan - Arrow Collaborative Services	345,764	-
Credit Cards	0	1,353
Total Borrowings	345,764	1,353

Financial Arrangements

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	6,000
	<u>6,000</u>	<u>6,000</u>

Drawn Facilities

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

Bank overdraft facility		
Corporate credit cards	0	1,353
	<u>0</u>	<u>1,353</u>

Undrawn Facilities

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

Bank overdraft facility		
Corporate credit cards	6,000	4,647
	<u>6,000</u>	<u>4,647</u>

Accounting Policy

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.



C2-3 Employee benefits

	2021		2020	
	Current \$	Non-current \$	Current \$	Non-current \$
Annual leave	53,132	-	25,691	-
Long-service leave	-	10,290	-	2,981
Total employee benefit provisions	53,132	10,290	25,691	2,981
Current employment provisions not expected to be settled within the next 12 months	Nil	n/a	Nil	n/a

Accounting policy

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 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.



D. Risks and accounting uncertainties

D1 Financial risk management

Risk management

The Hunter Joint Organisation 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 approximates the carrying amount.

E. People and relationships

E1 Related party disclosures

E1-1 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 employee expenses is \$146,456

E1-2 Other related parties



Type of related party:	Nature of 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 bad or doubtful debts
2021		\$	\$		\$	\$
Arrow Collaborative Services Local government owned entity	Loan to SSA - balance as at 30/6/21		345,764	Net 30 days	-	-
	Interest Received	594		Net 30 days	-	-
	Rent and Admin fees paid	124,845		Net 30 days	-	-
	Grant Funds obtained and transferred to related party to undertake grant functions	1,712,384		n/a		
	Admin fees received	195,531		Net 30 days	-	-
	IT costs incurred	7,000		Net 30 days	-	-
	Professional fees paid	4,922				
	Project Contributions	600,004		Net 30 days	-	-
Hunter Councils Incorporated Local government owned entity	Rent paid	36,048		Net 30 days	-	-
Lake Macquarie City Council	Subscriptions	104,666		Net 30 days	-	-
	Project Funding	52,741		Net 30 days	-	-
Newcastle City Council	Subscriptions	98,143	3,480	Net 30 days	-	-
	Project Funding	70,218		Net 30 days	-	-



Port Stephens Council	Subscriptions	51,717		Net 30 days	-	-
	Project Funding	57,547		Net 30 days	-	-
Mid Coast Council	Subscriptions	64,864		Net 30 days	-	-
	Project Funding	30,540		Net 30 days	-	-
Upper Hunter Shire Council	Subscriptions	31,070		Net 30 days	-	-
	Project Funding	23,965		Net 30 days	-	-
Singleton Council	Subscriptions	35,240		Net 30 days	-	-
	Project Funding	20,761		Net 30 days	-	-
Dungog Shire Council	Subscriptions	28,516	360	Net 30 days	-	-
	Project Funding	14,533		Net 30 days	-	-
Muswellbrook Shire Council	Subscriptions	32,899		Net 30 days	-	-
	Project Funding	34,758		Net 30 days	-	-
Cessnock City Council	Subscriptions	47,190		Net 30 days	-	-
	Project Funding	49,193		Net 30 days	-	-
Maitland City Council	Subscriptions	58,195		Net 30 days	-	-
	Project Funding	45,260		Net 30 days	-	-



Type of related party:	Nature of 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 bad or doubtful debts
2020		\$	\$		\$	\$
Strategic Services Australia Local government owned entity	Loan to SSA - balance as at 30/6/20	-	-	Net 30 days	-	-
	Interest Received	2,902	-	Net 30 days	-	-
	Rent paid	21,084	-	Net 30 days	-	-
	Grant Funds obtained and transferred to related party to undertake grant functions	923,629	-	n/a		
	Admin Fees paid	93,229				
	Admin fees received	199,256	-	Net 30 days	-	-
	IT costs incurred	1,824	-	Net 30 days	-	-
	Project Contributions	100,000	-	Net 30 days	-	-
Hunter Councils Incorporated Local government owned entity	Rent paid	12,000	-	Net 30 days	-	-
Lake Macquarie City Council	Subscriptions	20,000	4,400	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-
Newcastle City Council	Subscriptions	20,000	4,400	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-



Port Stephens Council	Subscriptions	20,000	4,400	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-
Mid Coast Council	Subscriptions	20,000	4,400	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-
Upper Hunter Shire Council	Subscriptions	10,877	3,300	Net 30 days	-	-
	Project Funding	3,000		Net 30 days	-	-
Singleton Council	Subscriptions	13,596	-	Net 30 days	-	-
	Project Funding	3,300		Net 30 days	-	-
Dungog Shire Council	Subscriptions	9,517	2,640	Net 30 days	-	-
	Project Funding	2,400		Net 30 days	-	-
Muswellbrook Shire Council	Subscriptions	10,877	-	Net 30 days	-	-
	Project Funding	2,700		Net 30 days	-	-
Cessnock City Council	Subscriptions	20,000	4,400	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-
Maitland City Council	Subscriptions	20,000	-	Net 30 days	-	-
	Project Funding	4,000		Net 30 days	-	-



E2 Other relationships

E2-1 Audit Fees

	2021	2020
Auditors of the JO - NSW Auditor-General	\$	\$
Audit of financial statements	15,000	11,080
Total fees paid or payable to the Auditor- General	15,000	11,080

F. Other matters

F1. Commitments

There are no commitments and contingencies noted at reporting date.

F2. Events occurring after reporting date Guidance note 55

There have been no significant events subsequent to reporting date.

F3. Changes from prior year

There have been no changes in accounting policies, errors or changes in accounting estimates during the year.