



Office of
Local Government

**JOINT ORGANISATIONS
SUPPLEMENT TO LOCAL
GOVERNMENT CODE OF
ACCOUNTING PRACTICE
AND FINANCIAL REPORTING
For the year ended
30 JUNE 2020**

Strengthening local government



Introduction and overview

Purpose

Joint organisations (JO) are not considered publicly accountable entities as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* since they are not tax setting entities and therefore the JO general purpose financial statements use the **Tier 2** Reduced Disclosure Requirements (RDR) framework in the Australian Accounting Standards – the Supplement is prepared on this basis.

The accounting, financial and other reporting requirements of the JO Supplement to the Office of Local Government Code of Accounting Practice and Financial Reporting (Code) apply to the general purpose financial statements prepared by joint organisations for the year ended 30 June 2020 and for subsequent years unless otherwise stated.

Note: the JO Supplement for 30 June 2020 has a comparative period from JO Proclamation date to 30 June 2019

Joint Organisations Supplement to Local Government Code of Accounting Practice and Financial Reporting (Update 28) - Section D

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The JO Supplement prescribes the minimum disclosures required for balances/transactions which are material to JO. JO can add additional disclosures at their discretion. In some cases, where the standards provide accounting policy options, the JO Code will prescribe which option JO must adopt.

The format of the JO Supplement which locates the accounting policies within the relevant notes is mandatory, however the actual placement within the note is not mandatory.



Notes, line items and columns need only be included if applicable, and additional notes may be added as required. Note that in the JO Supplement there are line items with nil or immaterial balances. These are included for completeness to show joint organisations the line items that may be relevant to them and should not be taken as required to be included where the JO actual balances are not material.

Where notes are removed then JO should ensure that the notes are renumbered so they remain consecutive. It is noted that this will lead to different JO having different numbers for the same note.

Where JO have balances/transactions that are not illustrated in the Supplement then the disclosures in the general purpose financial statements of the Code (Section A) should be used for those balances/transactions.

These balances/transactions may include intangible assets / defined benefit superannuation plans.

North Far West and South Far West JO were not required to complete financial reports for year end 30 June 2019, therefore will not be required to report comparative figures. Statements will be 2 July 2018 to 30 June 2020.

JO NSW

General purpose financial statements for the year ended 30 June 2020

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AASB101(126)(a) JO NSW is constituted under the <i>Local Government Act 1993</i> (NSW) and has its principal place of business at: JO NSW XXXX Street XX NSW 2XXX.	
AASB110(17) 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.jo.nsw.au .	

JO NSW

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 our knowledge and belief, these statements:

- present fairly JO NSW's operating result and financial position for the period
- accord with JO NSW'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 JO NSW made on

.....
Chairperson's name
Chairperson
___/___/___

.....
Voting Representative Board Member's name
Voting Representative Board Member
___/___/___

.....
Executive Officer's name
Executive Officer
___/___/___

JO NSW

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

	Notes	2020 \$	Period [insert Proclamation date] to 30 June 2019 \$
Income from continuing operations			
Member council contributions	2a	450,000	410,124
User charges and fees	2b	-	-
Grants provided for operating purposes	2c	844,040	1,080,209
Grants provided for capital purposes	2c	260,125	354,011
Other income	2d	-	134,568
Interest and investment income	2e	26,558	20,458
Total income from continuing operations		1,580,723	1,999,370
Expenses from continuing operations			
Employee benefits and on-costs		437,145	403,681
Borrowing costs	3b	9,649	-
Depreciation	7,8	95,937	54,783
Administrative expenses	3a	260,981	256,957
Total expenses from continuing operations		803,712	715,421
Net operating result for the period		777,011	1,283,949
Gain on transfer of assets from former entities [provide name]		-	-
Net result for the period		777,011	1,283,949
Other comprehensive income [Provide details if relevant]		-	-
Total other comprehensive income		-	-
Total comprehensive income		777,011	1,283,949

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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.

JO NSW

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,516,350	1,110,220
Investments	5	-	-
Receivables	6	209,677	173,142
Contract assets	8	-	-
Contract cost assets	8	-	-
Prepayments		9,283	12,567
Total current assets		1,735,310	1,295,929
Non-current assets			
Investments	5	-	-
Contract assets	8	-	-
Contract costs assets	8	-	-
Property, plant and equipment	7	208,223	247,010
Right of use assets	9	112,110	-
Other		-	-
Total non-current assets		320,333	247,010
Total assets		2,055,643	1,542,939
LIABILITIES			
Current liabilities			
Payables	10	158,420	159,878
Contract liabilities	8	104,139	-
Lease liabilities	9	38,674	-
Borrowings	10	-	-
Provisions	11	62,145	77,667
Total current liabilities		363,378	237,545
Non-current liabilities			
Contract liabilities	8	91,255	-
Lease liabilities	9	78,318	-
Provisions	11	26,577	21,445
Total non-current liabilities		196,150	21,445
Total liabilities		559,528	258,990
Net assets		1,496,115	1,283,949
EQUITY			
Accumulated surplus		1,496,115	1,283,949
Other reserves (specify)	12	-	-
Total equity		1,496,115	1,283,949

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.

JO NSW

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

	2020 \$			2019 \$		
	Accumulated surplus	Other reserves [specify]	Total equity	Accumulated surplus	Other reserves [specify]	Total equity
Opening balance	1,283,949	-	1,283,949	-	-	-
Changes due to AASB 16 adoption	-	-	-	-	-	-
Changes due to AASB 15 and AASB 1058 adoption-refer Note 13	(564,845)	-	(564,845)	-	-	-
Restated opening balance	719,104	-	719,104	-	-	-
Net operating result for the period	777,011	-	777,011	1,283,949	-	1,283,949
Other comprehensive income [Provide details]	-	-	-	-	-	-
Total comprehensive income	777,011	-	777,011	1,283,949	-	1,283,949
Closing balance	1,496,115	-	1,496,115	1,283,949	-	1,283,949

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.

JO NSW

Statement of Cash Flows for the year ended 30 June 2020

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	Notes	2020 \$	Period [insert Proclamation date] to 30 June 2019 \$
Cash flows from operating activities			
Receipts:			
Contributions from member councils		450,000	410,124
User charges and fees		-	-
Investment revenue and interest		26,558	20,458
Grants		1,070,914	1,434,220
Other		-	134,568
Payments:			
Employees and suppliers		(1,079,425)	(401,648)
Borrowing costs		(9,649)	-
Other		-	-
Net cash provided from (or used) in operating activities		458,398	1,412,013
Cash flows from investing activities			
Receipts:			
Sale of property, plant and equipment		-	-
Other		-	-
Payments:			
Purchase of investments (term deposits)		-	-
Purchase of property, plant and equipment		(16,917)	(301,793)
Other		-	-
Net cash provided from (or used in) investing activities		(16,917)	(301,793)
Cash flows from financing activities			
Receipts:			
Proceeds from investments		-	-
Other		-	-
Payments:			
Repayment of lease liabilities (principal only)		(35,351)	-
Other		-	-
Net cash provided from (or used in) financing activities		(35,351)	-
Net increase/(decrease) in cash and cash equivalents		406,130	1,110,220
Cash transferred from former entities [provide name]			
Cash and cash equivalents at beginning of reporting period		1,110,220	-
Cash and cash equivalents at end of reporting period	4	1,516,350	1,110,220

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.

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Notes to the Financial Statements for the year ended to 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 [insert proclamation date] to 30 June 2019.

These financial statements were authorised for issue by the Board of the Joint Organisation on dd/mm/2020. The Board has the power to amend and reissue these financial statements.

AASB101(119)
AASB101(112)(a),(b)
AASB1054(7)-(9)

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. JO NSW is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

AASB108(28)

(a) New and amended standards adopted by JO

Refer to Appendix L of the Local Government Code of Accounting Practice and Financial Reporting for an example note for new and amended standards adopted by the JO during the reporting period.

AASB101(117)(a)

(b) Historical cost convention

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

AASB101(122),(125)

(c) Significant accounting estimates and judgements

Guidance notes 18 - 20

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

JO NSW 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:

- (i) employee benefit provisions – refer Note 11.

Significant judgements in applying the JO accounting policies

- (i) [provide details of any significant judgements made by the JO]

Goods and Services Tax (GST)

Interpretation 1031(6),(7)

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.

Interpretation 1031(8),(9)

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.

Interpretation 1031(10),(11)

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.

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Note 2 Income

	2020
	\$
Revenue from Contracts with Customers (AASB 15)	
User charges and fees	-
Grant revenue -operating	441,158
Other [specify if material]	
	<u>441,158</u>

Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058)	
Member Council Contributions	450,000
Grant revenue	498,480
Revenue relating to grants for assets controlled by Council	164,527
Other [specify if material]	-
	<u>1,113,007</u>

	2020	Period [insert Proclamation date] to 30 June 2019
	\$	\$
(a) Member Council contributions		
A Council	112,500	102,531
B Council	112,500	102,531
C Council	112,500	102,531
D Council	112,500	102,531
Total member council contributions	<u>450,000</u>	<u>410,124</u>
(b) User charges and fees [Provide details]	-	-
Total user charges and fees	<u>-</u>	<u>-</u>

(c) Grants

	<u>Operating</u>		<u>Capital</u>	
	2020 \$	Period [insert Proclamation date] to 30 June 2019 \$	2020 \$	Period [insert Proclamation date] to 30 June 2019 \$
Office of Local Government (OLG) joint organisation establishment funding	-	250,000	-	-
Waste Action Recycle	38,335	154,860	-	-
Illegal dumping program	184,776	333,800	-	-
Small business promotion	165,945	-	-	-
Litter prevention and reduction	202,774	250,000	-	-
Road safety	238,653	-	-	-
Capital works	-	-	260,125	354,011
Other (specify if material)	13,557	91,549	-	-
Total grants	<u>844,040</u>	<u>1,080,209</u>	<u>260,125</u>	<u>354,011</u>
Comprising:				
– Commonwealth funding	173,634	-	-	-
– State funding	670,406	1,080,209	260,125	354,011
– Other funding	-	-	-	-
	<u>844,040</u>	<u>1,080,209</u>	<u>260,125</u>	<u>354,011</u>

	2020	Period [insert Proclamation date] to 30 June 2019
	\$	\$
(d) Other income		
Procurement rebates	-	76,775
Admin fees	-	29,434
Gain on disposal of property, plant and equipment	-	-
Other (specify if material)	-	28,359
Total other revenue	-	134,568
(e) Interest and investment income		
Interest on financial assets measured at amortised cost	26,558	20,458
Other [specify if material]	-	-
Total interest and investment revenue (losses)	26,558	20,458

Accounting policy for income

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

The methodology for determining the contribution is:

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

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

Accounting policies for 2020 only

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 obligations is satisfied.

The performance obligations are varied based on the agreement but include [provide details of performance obligations, payment terms and obligations for refunds for AASB 15 grants].

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 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.

Gain on transfer of assets relates to the value of net assets received free of charge from [insert entity name] on establishment of the JO.

Guidance note 6-7 **Note 3 Expenses**

	2020 \$	Period [insert Proclamation date] to 30 June 2019 \$
(a) Administrative expenses [Examples only]		
Contractor and consultancy costs (specify material contracts/ consultancies)	14,547	8,665
Remuneration of auditors	7,102	6,564
IT expenses	54,552	23,543
Legal fees	3,152	6,200
Operating leases (2019 only):		
– Buildings	-	35,800
– Computers	-	-
– Motor vehicles	-	-
– Other	-	3,964
Expenses from short-term leases (2020 only)	-	-
Expenses from leases of low value assets (2020 only)	12,544	-
Variable lease expense relating to usage (2020 only)	-	-
Insurance	14,225	12,442
Subscriptions	12,002	-
Telephone and internet	25,156	10,001
Training	8,112	6,753
Travel	3,154	3,421
Loss on disposal of property, plant and equipment	-	-
Other (specify if material)	12,055	12,779
Total administrative expenses	260,981	256,957
Auditors' remuneration		
Auditors of the JO – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit of financial statements	7,102	6,564
Other assurance services	-	-
Total fees paid or payable to the Auditor-General	7,102	6,564
(ii) Other assurance – services provided to the JO (specify type of assurance services)	-	-
Total fees paid or payable to other assurance providers	-	-

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.

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.

Operating lease expense (2019 only) - Leases in which a significant portion of the risks and rewards of ownership are not transferred to JO as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement and Other Comprehensive Income on a straight-line basis over the period of the lease.

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

	2020	Period [insert Proclamation date] to 30 June 2019
(b) Borrowing costs		
Interest on leases	\$	\$
Other borrowing costs [provide details]		
Total borrowing costs		

Accounting policy for borrowing costs

Borrowing costs are expensed as incurred.

Note 4 Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and on hand	1,501,324	1,094,885
Deposits at call	15,025	15,335
	<u>1,516,350</u>	<u>1,110,220</u>
Restricted cash and cash equivalents		
External restrictions		-
Internal restrictions	443,532	-
Unrestricted	1,072,818	1,110,220
	<u>1,516,350</u>	<u>1,110,220</u>

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

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Note 5 Investments

	2020		2019	
	Current \$	Non-current \$	Current \$	Non-current \$
Debt securities at amortised cost				
Term deposits	-	-	-	-

Accounting policy for investments

Term deposits are initially recognised at fair value and then subsequently classified and measured at amortised cost. Interest income, impairment and gains or loss on derecognition are recognised in profit or loss.

Note 6 Receivables

	<u>2020</u>	<u>2019</u>
	Current	Current
	\$	\$
Receivables from member councils	-	-
Grant receivables	148,832	115,145
Other (specify if material)	-	57,997
Total	<u>148,832</u>	<u>173,142</u>
Less: provision for impairment:	-	-
– Other (specify if material)	-	-
	<u>-</u>	<u>-</u>
Net receivables	<u>148,832</u>	<u>173,142</u>

Accounting policy for receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment 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.

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Note 7 Property, plant and equipment

By asset class

2020	At 1 July 2019			Movements during the period			At 30 June 2020		
	Gross carrying amount \$	Accum depn and impairment \$	Net carrying amount \$	Additions \$	Disposals \$	Depn and impairment \$	Gross carrying amount \$	Accum depn and impairment \$	Net carrying amount \$
Office equipment	74,341	(9,293)	65,048	16,917	-	(10,214)	91,258	(19,507)	71,751
Furniture and fittings	-	-	-	-	-	-	-	-	-
Vehicles	227,452	(45,490)	181,962	-	-	(45,490)	227,452	(90,980)	136,472
Other [specify]	-	-	-	-	-	-	-	-	-
Totals	301,793	(54,783)	247,010	16,917	-	55,704	318,718	(110,487)	208,223

2019	At [Proclamation date]			Movements during the period			At 30 June 2019		
	Gross carrying amount \$	Accum depn and impairment \$	Net carrying amount \$	Additions \$	Disposals \$	Depn and impairment \$	Gross carrying amount \$	Accum depn and impairment \$	Net carrying amount \$
Office equipment	-	-	-	74,341	-	(9,293)	74,341	(9,293)	65,048
Furniture and fittings	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	227,452	-	(45,490)	227,452	(45,490)	181,962
Other [specify]	-	-	-	-	-	-	-	-	-
Totals	-	-	-	301,793	-	(54,783)	301,793	(54,783)	247,010

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:

[JO should include the useful lives used for each class of property, plant and equipment disclosed in the movement table based on their internal policies.]

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

Note 8 Contract assets and liabilities

a. Contract assets and liabilities

The JO has recognised the following contract assets and liabilities from contracts with customers:

	2020 \$
Contract assets	
[provide details]	
[provide details]	
	<u> </u>

Impairment

[Insert information regarding impairment losses on receivables or contract assets arising from the JO's contracts with customers].

Contract liabilities

Funds to construct JO controlled assets	(i)	53,981
Funds received prior to performance obligation being satisfied (upfront payments) – AASB 15	(ii)	141,413
[Other – provide details]		-
		<u>195,394</u>

- (i) The JO has received funding to construct assets, the funds received are under an enforceable contract which require the JO to construct an identified asset which will be under JO's control on completion. The revenue is recognised as the JO constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue.
- (ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Accounting policy for contract assets and liabilities

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

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

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

b Contract cost assets	[Note]	2020 \$
Incremental costs to obtain a contract		
Costs to fulfil a contract	(i)	
[Other – provide further breakdown of material capitalised costs under AASB 15]		
		<u> </u>
		<u> </u>
(i) [provide details of the contract cost assets]		

Accounting policy for contract cost assets

Council recognises assets relating to the costs incurred to fulfil a contract that are directly related to the contract provided they will be recovered through performance of the contract.

Costs to fulfil a contract

Where costs are incurred to fulfil a contract, they are accounted for under the relevant accounting standard (if appropriate), otherwise if the costs relate directly to a contract, the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and the costs are expected to be recovered then they are capitalised as contract costs assets and released to the income statement on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates

Note 9 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) JO NSW as a lessee

JO has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

[Enter details of existing leases in place on a class basis, for example –

Buildings

JO NSW leases 2 floors of a building for their corporate offices; the lease is a 4 year lease.

The building leases contains a fixed 3% increase at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 6 years with no renewal option, the payments are fixed.

Right-of-use assets

	Buildings \$	Office and IT equipment \$	[other – provide details] \$	Total \$
Adoption of AASB 16 at 1 July 2019	126,573	25,770	-	152,343
Additions to right-of-use assets	-	-	-	-
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-	-
Depreciation charge	(31,643)	(8,590)	-	(40,233)
Impairment of right-of-use assets	-	-	-	-
Balance at 30 June 2020	94,930	17,180	-	112,110

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below

< 1 year \$	1–5 years \$	> 5 years \$	Total \$	Total per statement of financial position \$
35,351	116,992	-	152,343	116,992

Extension options

[Refer to the leases note in the General Purpose Financial Statements – Section A if the JO has extension options].

Income statement

The amounts recognised in the Income Statement relating to leases where JO NSW is a lessee are shown below

	\$
Interest on lease liabilities	9,649
Depreciation of right of use assets	40,233
Variable lease payments based on usage not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses relating to short-term leases	-
Expenses relating to low-value assets	12,544

Statement of cash flows

	\$
Total cash outflow for leases	

Leases at significantly below market value - Concessionary / peppercorn leases

[Refer to the leases note in the General Purpose Financial Statements – Section A if the JO has concessionary / peppercorn leases].

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, 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?

JO NSW 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

JO NSW 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. JO NSW 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 3a and Note 14.

Guidance note 40

Note 10 Payables and borrowings

	2020	2019
	\$	\$
Payables		
Trade payables	121,558	113,566
Accrued expenses	8,415	7,655
Other payables (specify if material)	28,447	38,657
Total payables	158,420	159,878
 Borrowings		
Bank overdraft	-	-
Total borrowings	-	-
 Financing arrangements	2020	2019
	\$	\$
Total facilities		
The amount of total financing facilities available to the JO at the reporting date is:		
- Bank overdraft facility	100,000	100,000
- Corporate credit cards	25,000	25,000
	125,000	125,000
Drawn facilities		
The amount of financing facilities drawn down at the reporting date is:		
- Bank overdraft facility	-	-
- Corporate credit cards	7,433	9,458
	7,433	9,458
Undrawn facilities		
The amount of undrawn financing facilities available to the JO at the reporting date is:		
- Bank overdraft facility	100,000	100,000
- Corporate credit cards	17,567	15,542
	117,567	115,542

AASB 7(21)

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.

Guidance notes 41 – 43 **Note 11 Provisions**

	2020		2019	
	Current \$	Non-current \$	Current \$	Non-current \$
Employee benefit provisions				
Annual leave	62,145	-	77,667	-
Long-service leave	-	26,577	-	21,445
Other provisions				
Other (specify)	-	-	-	-
Total provisions	62,145	26,577	77,667	21,445
Current provisions not expected to be settled within the next 12 months	23,121		14,654	

(a) **Description of and movements in non-employee benefit provisions**

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below.

	Other provision (1) \$	Other provision (2) \$	Total \$
At 1 July 2019	-	-	-
Changes to provision:			
Amounts used	-	-	-
Unwinding of discount	-	-	-
Unused amounts reversed	-	-	-
Other (specify)	-	-	-
At 30 June 2020	-	-	-

Nature and purpose of non-employee benefit provisions

[Insert a description of each class of provision shown in the table above as to its nature and purpose and related uncertainties.]

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 and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Guidance note
44 - 45

Note 12 Reserves

Nature and purpose of reserves

- (i) *Other reserves (specify)*
[Describe nature and purpose of the reserve]

Note 13 Change in accounting policy

Changes in accounting policy due to adoption of new Accounting Standards

During the year ended 30 June 2020, JO NSW has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

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

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

AASB 15 and AASB 1058

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

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

[JO is required to outline the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058 – refer to Note 18 in the General Purpose Financial Statements – Section C for example disclosures – the disclosures below relate to the specific circumstances of JO NSW and are not necessarily exhaustive or relevant for all JO's].

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

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

Changes in presentation

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

Opening contract balances at 1 July 2019

	Balance at 1 July 2019
	\$
Contract assets	
- Under AASB 15	-
- Under AASB 1058	-
Total contract assets	-
Contract liabilities	
- Under AASB 15	4,933,759
- Under AASB 1058	1,565,665
Total contract liabilities	6,499,424

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

[Note this disclosure shows only the affected line items – refer to Note 18 for an alternative presentation where the entire primary statements are shown]

Statement of financial position as at 30 June 2020

	Carrying amount per Statement of financial position under AASB 15 and AASB 1058 \$'000	Reclassification \$'000	Remeasurement \$'000	Carrying amount under previous revenue standards \$'000	Note
Current liabilities					
Income received in advance	-	24,552	-	24,552	(i)
Contract liabilities	104,139	(24,552)	(79,587)	-	(i)
Non-current liabilities					
Contract liabilities	91,255	-	(91,255)	-	(i)
Net assets					
Equity					
Accumulated surplus	1,496,115	-	170,842	1,666,957	(i)
Total equity					

- (i) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income statement for the year ended 30 June 2020

	Income statement and comprehensive income under AASB 15 and AASB 1058 \$'000	Reclassification \$'000	Remeasurement \$'000	Income statement and comprehensive income under previous revenue standards \$'000	Note
Revenue	1,554,165	-	170,842	1,725,007	(i)
Profit / (Loss) for the year	777,011	-	170,842	947,853	
Total comprehensive income	777,011	-	170,842	947,853	

- (i) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under new standards.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

AASB 16 Leases

JO as a lessee

Under AASB 117, JO NSW 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).

JO NSW 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. JO NSW 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

JO NSW has recognised right-of-use assets and lease liabilities of \$152,343 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was xx%.

	\$
Operating lease commitment at 30 June 2019 per JO NSW financial statements	181,723
Discounted using the incremental borrowing rate at 1 July 2019	176,158
Add:	
Finance lease liabilities	-
Extension options reasonably certain to be exercised not included in the commitments note	-
Variable lease payments linked to an index	-
[Other reconciling items – provide details]	-
Less:	
Short-term leases included in commitments note	-
Leases for low-value assets included in commitments note	(23,815)
[Other reconciling items – provide details]	-
Lease liabilities recognised at 1 July 2019	152,343

Guidance note 47

Note 14 Commitments

(a) Capital commitments (exclusive of GST)

[Provide a description of any commitments in place that are not recognised in the financial statements as liabilities].

(b) Non-cancellable operating lease commitments (2019 only)

2019
\$

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

– Not later than one year	41,238
– Later than one year and not later than five years	140,485
– Later than five years	-
Total	<u>181,723</u>

[Provide a description of leases] e.g. The operating leases in place are for office equipment and buildings. All operating lease agreements are secured only against the leased asset and are for terms ranging from two to five years. The leases generally have a CPI increase each year.

Refer to note 8 for information on leases for 2020.

Guidance note 48 **Note 15 Contingencies**

[Provide details of any contingent assets or liabilities which the JO is party to].

Note 16 Financial risk management

Risk management

The JO'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 – amend as relevant] approximates the carrying amount.

Note 17 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 \$215,258:

Other transactions with KMP and their related parties

Nature of the transaction	Amount of the transactions during the period (\$)	Outstanding balances, including commitments at period end (\$)	Terms and conditions	Provisions for doubtful debts (impairment of receivables) related to the amount of outstanding balances (\$)	Expense recognised during the period relating to bad or doubtful debts (impairment expense) due from related parties (\$)
2020					
[Insert relevant details]				-	-
2019					
Cleaning services ¹	18,000	3,141	14 days	-	-

¹ The JO entered into a 3-year contract in 2019 with CleanMyOffice Limited, a company that is controlled by a member of the KMP of the JO. The total contract value is \$50,000 and the contract was awarded through a preferred supplier arrangement based on market rates for these services. Amounts are payable on a quarterly basis for the duration of the contract.

Other related parties

Type of related party: (please describe)	Nature of transactions	Amount of the transactions during the period	Outstanding balances, including commitments at period end	Terms and conditions	Provisions for doubtful debts related to the amount of outstanding balances	Expense recognised during the period relating to bad or doubtful debts due from related parties
2020						
[insert relevant details]		-	-	-	-	-
2019						
[insert relevant details]		-	-	-	-	-

Note 18 Events occurring after reporting date

[Describe any events occurring between the period end and date of signing the financial statements].

Guidance notes

General

1. Per AASB 101, a 'complete set of financial statements' comprises:
 - a. a Statement of Financial Position as at the end of the period
 - b. a Statement of Income and Other Comprehensive Income for the period
 - c. a Statement of Changes in Equity for the period
 - d. a Statement of Cash Flow for the period
 - e. notes, comprising a summary of significant accounting policies and other explanatory notes
 - f. comparative information in respect of the preceding period, and
 - g. a Statement of Financial Position as at the beginning of the earliest comparative period (only if the JO has applied an accounting policy retrospectively, made a retrospective restatement of items, or reclassified items in its financial statements) – Not required for JO's under the Reduced Disclosure Requirements.

The statements must all be presented with equal prominence.

2. A JO shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.
3. Consistent accounting policies must be employed in the preparation and presentation of financial statements.

Materiality

4. Each material class of similar items shall be presented separately in the financial statements. Items of a similar nature or function shall be presented separately unless they are immaterial.

Extraordinary items

5. A JO shall not present any items of income and expense as extraordinary items, either in the Income Statement and Other Comprehensive Income or in the notes.

Classification of expenses – Note 3

6. The Office of Local Government (OLG) has determined that expenses are to be classified by nature in the Income Statement.
7. Other expenses should be less than 10% of total expenses. Additional expense categories should be added as necessary.

Goods and services tax (GST)

8. Interpretation 1031 Accounting for the Goods and Services Tax (GST) provides that revenues and expenses must be recognised net of the amount of GST, except where GST relating to expense items is not recoverable from the taxation authority when it must be recognised as part of the item of expense.
9. Cash flows shall be included in the Statement of Cash Flows on a gross basis.
10. The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows and will be included in receipts from customers or payments to suppliers as appropriate.

Offsetting

11. Assets and liabilities, and income and expenses must not be offset unless required or permitted by an Australian Accounting Standard.

Statement of Cash flows

12. OLG requires all JO to use the direct method in reporting cash flows from operating activities whereby major classes of gross cash receipts and gross cash payments are disclosed.
13. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the Statement of Financial Position. Examples of expenditure that should be classified as operating cash flows on this basis are expenditure on advertising or promotional activities, staff training and research costs.
14. OLG requires the payment and/or receipt of interest and dividends to be classified as operating cash flows.

Significant accounting policies

15. Significant accounting policies must be included in the financial statements. These should be in the relevant note and should provide the following information:
 - a. the measurement basis (or bases) used in preparing the financial statements, and
 - b. the other accounting policies used that are relevant to an understanding of the financial statements.
16. In deciding whether a particular accounting policy should or should not be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position.
17. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Australian Accounting Standards.

Significant judgements and estimates – Note 1

18. A JO shall disclose the judgements, apart from those involving estimations that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
19. A JO shall disclose in the notes information about the assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period. In respect of those assets and liabilities, the notes shall include details of:
 - a. their nature, and
 - b. their carrying amount as at the end of the reporting period.
20. The disclosures are presented in a manner that helps users of financial statements to understand the judgements management makes about the future, and about other sources of estimation uncertainty. The nature and extent of the information provided varies according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:
 - a. the nature of the assumption or other estimation uncertainty
 - b. the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
 - c. the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next annual reporting period in respect of the carrying amounts of the assets and liabilities affected, and
 - d. an explanation of changes made to past assumptions concerning those assets and liabilities if the uncertainty remains unresolved.

Income – Note 2

21. Refer to Appendix J for detailed guidance on AASB 15 / AASB 1058.
22. Grants are to be classified as operating or capital depending on the purpose for which they were received and not on the purpose for which they were spent. General purpose grants and contributions are all classified as operating regardless of how they are spent.
23. Where the JO received assets / liabilities from a former entity e.g. previous regional organisation then the value of the net assets received should be recognised as a gain for the JO on the acquisition date.

Employee benefits

24. Employee benefits are all forms of consideration given by a JO in exchange for services rendered by its employees. These benefits include salary-related benefits (such as wages, salaries, and long-service leave), termination benefits (such as severance or redundancy pay), and post-employment benefits (such as retirement benefit plans).
25. Irrespective of how the amount is measured, an employee benefits provision can only be classified on the Statement of Financial Position as a non-current liability if there is no possibility the JO could have to pay out the provision within the next 12 months. This means, for example, that where employees are entitled to take their long-service leave or accrued annual leave during the next 12 months, the provision relating to them must be recorded as a current liability, even though the employees may not be expected to take the leave for an extended period. The amount expected to be paid after 12 months is disclosed in the provisions note.
26. If the expense relating to defined contributions is material, then this should be separately disclosed in the expenses note.

Financial assets – Notes 4 and 5

27. All financial assets should be measured initially at fair value, being the fair value of the consideration given, including transaction costs (such as advisers' and agents' fees and commissions, duties and levies by regulatory agencies).
28. Transaction costs are recognised in the Income Statement when the financial asset is carried at fair value through profit or loss.
29. Financial assets held at amortised cost are required to be tested for impairment.
30. The impairment test under AASB 9 is an expected credit loss where at day 1, JO considers the expected loss on a particular financial asset over 12 months and recognises this loss in the Income Statement.

Cash and cash equivalents – Note 4

31. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value
32. This includes cash on hand, cash at bank, and at-call and term deposits maturing within three months from the date of acquisition.
33. Note: A term deposit with a term of greater than three months from the date of acquisition is classified as a 'financial asset not as a 'cash and cash equivalent asset' in the Statement of Financial Position. At each reporting date, JO should consider whether a term deposit meets the definition of 'cash and cash equivalents' for the purpose of the Statement of Cash Flows and classify it as such (although the Statement of Financial Position classification would not change).

Property, plant and equipment (PPE) – Note 7

34. PPE is measured at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).
35. A class of property, plant and equipment is a grouping of assets with a similar nature and use in the JO operation.
36. Each JO will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality

Leases – Note 9

37. Appendix K provides detailed guidance on the application of AASB 16 Leases

38. To assess whether a contract conveys the right to control the use of an identified asset, council assesses whether they have:

- the right to obtain substantially all of the economic benefits from use of the identified asset (e.g. by having exclusive use of the asset through the lease period); and
- the right to direct the use of the identified asset.

In considering whether the relevant asset is an identified asset, council should consider whether the asset is explicitly identified (e.g. by serial number, building floor and address) or implicitly identified (e.g. through the asset being specialised and/or customised). If the lessor has a substantive substitution right (i.e. can swap the asset) then there is no identified asset.

39. A lessee has the right to direct the use of the asset only if either:

- a. the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- b. the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - i. the customer has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Borrowings – Note 10

40. This Code illustrates that the JO has a bank overdraft as the only borrowings. If the JO has additional borrowings, for example bank loans then refer to the borrowings note in the Local Government Code of Accounting Practice and Financial Reporting for illustrative disclosures.

Provisions – Note 11

41. A provision should be recognised only when:
- the JO has a present obligation to transfer economic benefits as a result of past events;
 - it is probable (more likely than not) that such a transfer will be required to settle the obligation; and
 - a reliable estimate of the amount of the obligation can be made.
42. The amount recognised as a provision should be the best estimate of the unavoidable expenditure required to settle in full the present obligation and should be discounted at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability that have not been reflected in the best estimate of the expenditure.
43. Management should perform an exercise at each reporting date to identify the best estimate of the unavoidable expenditure required to settle in full the present obligation, discounted at an appropriate rate. The increase in provision due to the passage of time is recognised as an interest expense.

Reserves – Note 12

44. A description of the nature and purpose of each reserve within equity must be provided.
45. In providing a description of the nature and purpose of the reserves, it would be appropriate to refer to any restrictions on their distribution, or any other important characteristics.

Changes in accounting policy - Note 13

46. If the changes to financial position and financial performance on adoption of AASB 15 / AASB 1058 and AASB 16 are not material then this note is not required – a statement informing the user that the changes were not material should be included instead.

Commitments – Note 14

47. JO provide information about commitments as required under specific standards. This includes contractual commitments:
- for the acquisition of property, plant and equipment
 - for the acquisition of intangible assets
 - to purchase, construct or develop investment property or for repairs, maintenance or enhancements
 - in relation to finance leases and non-cancellable operating leases.

Contingencies – Note 15

48. Unless the possibility of any outflow in settlement is remote, a JO shall disclose for each class of contingent liability at the end of the reporting period, a brief description of the nature of the contingent liability and, where practicable:
- an estimate of its financial effect, measured under paragraphs 36-52 of AASB137
 - an indication of the uncertainties relating to the amount or timing of any outflow
 - the possibility of any reimbursement.

Related party transactions – Note 17

49. Refer to Appendix I of the Local Government Code of Accounting Practice and Financial Reporting for specific implementation guidance on AASB 124 Related Party Disclosures.
50. The fact that a transaction occurred at arms-length does not provide exemption from disclosure.
51. Transactions of a similar nature may be aggregated for the purpose of the disclosures.
52. Transactions with related parties include those transactions which were undertaken for nil consideration.
53. JO should consider whether member councils meet the definition of a related party for the purpose of AASB 124.