



Australian Government  
Registered Organisations Commission

20 December 2017

Mr Keith Rhoades  
President  
Local Government and Shires Association of New South Wales  
GPO BOX 7003  
Sydney NSW 2000

By email: [lgsa@lgsa.org.au](mailto:lgsa@lgsa.org.au)

Dear Mr Rhoades

**Section 269 application for certificate stating financial affairs of reporting unit are encompassed by financial affairs of associated State body for year ended 30 June 2017 (FR2017/217)**

I refer to the application lodged pursuant to section 269 of the *Fair Work (Registered Organisations) Act 2009 (RO Act)* in respect of the Local Government and Shires Association of New South Wales (**LGSANSW**) for the financial year ended 30 June 2017. The application was lodged with the Registered Organisations Commission (ROC) on 8 December 2017.

I am satisfied that the LGSANSW is a reporting unit and that its financial affairs for the financial year ended 30 June 2017 were encompassed by the Local Government and Shires Association of New South Wales (**the Association**), an associated State body registered under the *Industrial Relations Act 1996* (NSW). I have granted the application. The certificate is attached.

If you wish to discuss this matter, please contact David Vale on (02) 8293 4654 or by email at [david.vale@roc.gov.au](mailto:david.vale@roc.gov.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'CE', followed by a small horizontal line.

Chris Enright  
Executive Director  
Registered Organisations Commission



# CERTIFICATE

*Fair Work (Registered Organisations) Act 2009*

s.269(2)(a)—Reporting unit's financial affairs encompassed by associated State body

**Local Government and Shires Association of New South Wales**  
(FR2017/217)

MR ENRIGHT

MELBOURNE, 20 DECEMBER 2017

*Reporting unit's financial affairs encompassed by associated State body*

[1] On 8 December 2017 an application was made under s.269(2)(a) of the *Fair Work (Registered Organisations) Act 2009* (the Act) by the Local Government and Shires Association of New South Wales (the reporting unit) for a certificate stating that the financial affairs of the reporting unit are encompassed by the financial affairs of the Local Government and Shires Association of New South Wales (the Association), an associated State body, in respect of the financial year ending 30 June 2017.

[2] On 8 December 2017, the reporting unit lodged a copy of the audited accounts of the Association with the Registered Organisations Commission.

[3] I am satisfied that the Association:

- is registered under the *Industrial Relations Act 1996* (NSW), a prescribed State Act; and
- is, or purports to be, composed of substantially the same members as the reporting unit; and
- has, or purports to have, officers who are substantially the same as designated officers in relation to the reporting unit; and
- is an associated State body.

[4] I am further satisfied that:

- the Association has in accordance with prescribed State legislation, prepared accounts, had those accounts audited, provided a copy of the audited accounts to its members and lodged the accounts with the relevant State authority;
- any members of the reporting unit who are not also members of the Association have been provided with copies of the accounts at substantially the same time as the members of the reporting unit who are members of the Association; and
- a report under s.254 of the Act has been prepared in respect of those activities of the reporting unit and has been provided to the members of the reporting unit with copies of the accounts.

[5] I am satisfied that the financial affairs of the reporting unit in respect of the financial year ending 30 June 2017, are encompassed by the financial affairs of the Association and I certify accordingly under s.269(2)(a) of the Act.



DELEGATE OF THE COMMISSIONER

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Mr Stephen Kellett  
Regulatory Compliance Branch  
Fair Work Australia  
80 William St  
EAST SYDNEY NSW 2011

Dear Mr Kellett

**Re: Application for exemption pursuant to section 269 of the Fair Work (Registered Organisation) Act 2009**

I am the President of the Local Government & Shires Association of NSW (Federal Branch) and am authorised by the Branch to make application for a certificate stating that:-

- (1) The financial affairs of the Federal Branch are encompassed by the financial affairs of the Local Government & Shires Association of NSW (State Organisation), an organisation of employers registered under the Industrial Relations Act 1996 (NSW), being an associated state body; and
- (2) That the Branch is taken to have satisfied part 3 of the Act.

The grounds and reasons for this application are as follows:

1. The State Organisation is an organisation of employers registered under the Industrial Relations Act 1996 (NSW) and is an associated State body to the Branch.
2. The State organisation is composed entirely of the same members as the Federal Branch.
3. The officers of the State organisation are the same as the officers of the Federal Branch.
4. It is submitted that that the Federal Branch can be taken to have satisfied Part 3 of the Act, because of the following :-
  - (i) The State Organisation has in accordance with the State Act, prepared accounts, had those accounts audited, has presented its audited accounts to its members and will lodge the audited accounts with the Industrial Commission of NSW.
  - (ii) All members of the State Organisation and the Federal Branch have been provided a copy of 2016/17 LGNSW Annual Report which contains the Auditor's report, Balance Sheet, Statement of Income and Expenditure and other relevant information.
  - (iii) A copy of the 2016/17 LGNSW Annual Report which contains the accounts for the period ending 30 June 2017, the Audit Report and information required under s.254 is attached.

The Local Government & Shires Association of NSW submits that based on the grounds and reasons stated herein and the supporting documentation, the Federal Branch has satisfied the requirements of s.269 and consequently seeks relief as sought in this application.

If you have any queries with regard to this application please contact Mr Bruce Morcombe from this office on 9242 4191.

Yours sincerely



Keith Rhoades AFSM  
President  
Local Government & Shires Association of NSW

6/12/17

The image features a background photograph of two business professionals in an office setting. A woman on the left is looking up and to the right, while a man on the right is looking down at a document. A large, semi-transparent green circle is overlaid on the top left, containing the text 'CORPORATE & COMPLIANCE INFORMATION' in red. The right side of the image has a solid yellow vertical bar.

**CORPORATE &  
COMPLIANCE  
INFORMATION**

## LEGISLATION AND RULES

LGNSW is registered federally under the *Fair Work (Registered Organisations) Act 2009* (Cth) and in NSW under the *Industrial Relations Act 1996*. Each act requires compliance with a set of rules which govern the way in which the Association is operated. The rules cover matters such as objects and powers, membership, control and governance, the annual conference, the Board, finance and auditing.

## SIGNIFICANT CHANGES IN FINANCIAL AFFAIRS

There were no significant changes in the Association's financial affairs during 2016/17.

## RIGHTS OF MEMBER TO RESIGN

Under s 174 of the *Fair Work (Registered Organisations) Act 2009* and Rule 8 of the LGNSW Rules, a member of an organisation may resign from membership by written notice addressed and delivered to the Chief Executive. Two members, Cumberland Council and North Sydney Council, resigned in 2016/17.

## BOARD

Composition of the Board varied throughout the year due to the ongoing impact of a Federal Court decision concerning the 2015 election, the 2016 postal ballot ordered by the Federal Court of Australia and the September 2016 local government elections. The Board at 30 June 2017 comprised of 18 members.

Board members are listed on page 8.

## BOARD WORKING COMMITTEES

### Capacity Building

Cr Ruth Fagan  
Cr Lesley Furneaux-Cook  
Cr Yvonne Keane  
Cr Rod Kendall

### Policy Review

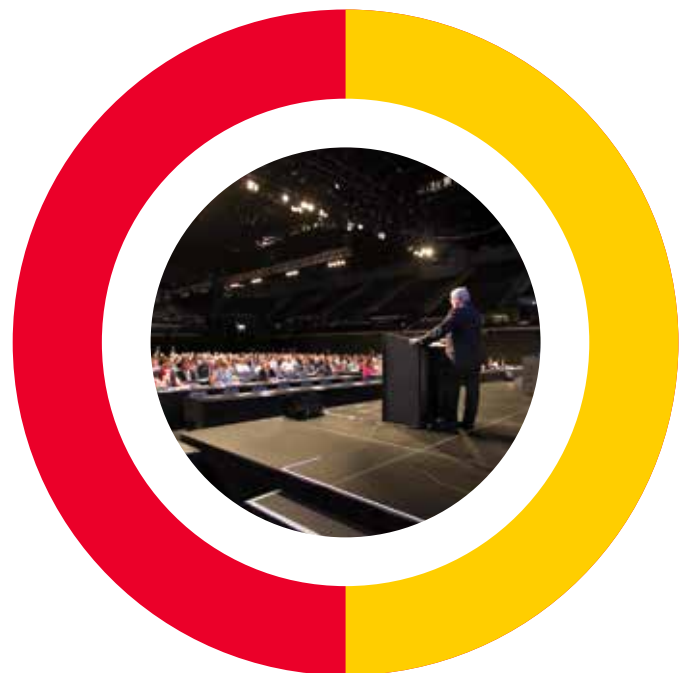
Cr Michael Banasik  
Cr Christine Forster  
Cr Alice Glachan  
Cr Mazhar Hadid

### Local Government Act Review

Cr Scott Bennison  
Cr Lindsay Brown  
Cr Ray Harty  
Cr Denise Osborne  
Cr Linda Scott

### Local Government Reform Annual Conference

Cr Keith Rhoades AFSM  
Cr Karen McKeown  
Cr Phyllis Miller OAM  
Cr Denise Osborne  
Cr Bill Pickering  
Cr Darriea Turley




## BOARD MEETING ATTENDANCE

	2016			2017		
	AUG	OCT	DEC	FEB	APRIL	JUNE
Keith Rhoades AFSM	√	√	√	√	√	√
Scott Bennison	√	√	√	√	√	√
Bill Pickering	√	√	√	√	√	√
Zoe Baker						
Lindsay Brown	√	√	√	√	√	√
Michael Banasik			√	√	√	√
Ruth Fagan	√	√	√	√	√	√
Christine Forster	√	√	√	√	x	√
Lesley Furneaux-Cook	√	√	√	√	√	√
Alice Glachan	√	√	√	√	√	√
Mazhar Hadid	√	√	√	√	√	√
Paul Hawker	√					
Ray Harty OAM					x	x
Yvonne Keane	√	√	x	√	√	√
Leo Kelly OAM *	√	√	√			
Rod Kendall	√	√	√	√	√	√
Karen McKeown			√	√	√	√
Denise Osborne	√	√	√	√	√	√
Phyllis Miller OAM	√	√	√	√	√	√
Linda Scott	√	√	√	√	√	√
Darriea Turley	√	√	√	√	√	x
Mark Troy						

 Not elected to the Board at the relevant time

 Ceased to be a councillor following local government elections on 10 September 2016

 Resigned from the Board

\* Cr Leo Kelly OAM passed away on 23 January 2017

## BOARD REMUNERATION

Top five earning officers in 2016/17:

### Cr Keith Rhoades AFSM, President

LGNSW	\$169,144.47
External boards	\$75,848.36
Total	\$244,992.83

### Cr Lindsay Brown, Vice President Rural/Regional

LGNSW	\$13,875.84
External boards	\$45,061.50
Total	\$58,937.34

### Cr Denise Osborne, Director

LGNSW	\$7,730.70
External boards	\$45,061.50
Total	\$52,792.20

### Cr Lesley Furneaux-Cook, Director

LGNSW	\$3,666.06
External board	\$25,176.72
Total	\$28,842.78

### Cr Bill Pickering, Vice President Metropolitan/Urban

LGNSW	\$15,021.21
External boards	\$0.00
Total	\$15,021.21

No disclosures were received in relation to material personal interests held.

LGNSW did not make any payments to related parties of the organisation or to a declared person or body of the organisation.

## PROCESS FOR ENDORSING LGNSW BOARD NOMINEES TO LOCAL GOVERNMENT SUPER AND STATECOVER BOARDS

The LGNSW Board nominates four directors to the boards of LGSS Pty Ltd (the trustee for Local Government Super) and StateCover. It should be noted that the LGNSW Board follows the following open and transparent process to ensure the best representation on these significant boards.

## Principles Guiding the Selection Process

The LGNSW Board has adopted the following principles to guide the process for determining the most suitable nominees for these positions:

- Transparency - decisions should be made in an open and transparent manner
- Equity - all potential applicants should be given equal opportunities to be considered for appointment on equal terms
- Merit - applicants who best meet the selection criteria should be endorsed for appointment
- Integrity - avoid or appropriately manage conflicts of interest
- Impartiality - avoid perception of bias.

## The Selection Process

1. Expressions of Interest are sought via notice in the LGNSW Weekly and can also be highlighted in the President's message
2. An Information Pack, containing information about the related entity, its 'Fit and Proper' Policy, and the selection criteria is provided on request to potential applicants
3. An independent expert is engaged to assess applications against the selection criteria, to undertake a preliminary assessment against the requirements of the relevant 'Fit and Proper' Policy and to prepare a report with recommendations for the Board's consideration
4. The LGNSW Board considers the recommendations of the independent assessment report and makes a decision
5. The person endorsed by the LGNSW Board as the nominated representative is referred to the associated entity for formal assessment against the requirements of its 'Fit and Proper' Policy
6. The LGNSW nominee is referred to the related entity Board for appointment (subject to a satisfactory Fit and Proper assessment).

While the LGNSW Board makes the nomination, the final decision is made by the company. LGNSW Board nominees are subject to rigorous assessment by LGSS and StateCover to ensure the nominees are fit and proper persons to be appointed.



## MEMBERS

The number of members (including associate members) at 30 June 2017 was 139.

## SENIOR MANAGEMENT TEAM

The following individuals held principal positions during 2016/17.

NAME	POSITION	PERIOD IN POSITION
Donna Rygate	Chief Executive	25 August 2014 - present
Lillian Tiddy	Director Member Services	7 July 2008 - present
Kylie Yates	Director Advocacy	14 March 2016 - present

## EMPLOYEE PROFILE

The data below relates to LGNSW's full-time equivalent employee (FTE) composition as at 30 June 2017. It does not include Local Government Procurement Pty Ltd, a subsidiary of LGNSW, which employed 24.5 FTE staff at the end of the financial year.

	MALE	FEMALE	TOTAL
<b>CORE FUNDED</b>			
Contract	0	2.2	2.2
Permanent - Full Time	13	25	38
Permanent - Part Time	0	6.8	6.8
<b>GRANT FUNDED</b>			
Full Time	2	0	2
Part Time	0.6	3.8	4.4
<b>TOTAL</b>	<b>15.6</b>	<b>37.8</b>	<b>53.4</b>

## GRANTS AND DONATIONS

LGNSW administered the following grants exceeding \$1,000 in 2016/17.

### Lift and Change

**Purpose:** Providing adult lift and change facilities in council owned accessible toilets through retrofitting or by new building.

**Funding provided by:** Department of Family and Community Services

Northern Beaches Council	\$35,000.00
Orange City Council	\$32,000.00
Cootamundra-Gundagai Regional Council	\$35,000.00
Kiama Municipal Council	\$32,000.00

## Building Resilience to Climate Change

**Purpose:** Providing council support to adapt to climate change.

**Funding provided by:** Office of Environment and Heritage and NSW Environmental Trust (Round 2 instalments)

Blacktown City Council	\$5,818.18
Kyogle Council	\$13,871.00
Queanbeyan-Palerang Regional Council	\$3,800.00

**Funding provided by:** Climate Change Fund (Round 3 grants - first instalment)

Eurobodalla Shire Council	\$64,000.00
Sydney Coastal Councils Group Inc	\$64,000.00
Northern Beaches Council	\$64,000.00
Tweed Shire Council	\$46,720.00
Cobar Shire Council	\$48,000.00
Dubbo Regional Council	\$64,000.00
Wagga Wagga City Council	\$47,004.80

### Flying Fox

**Purpose:** To assist in managing the impact of large scale flying fox colonies.

**Funding provided by:** Office of the Environment and Heritage

Cessnock City Council	\$15,000.00
Coffs Harbour City Council	\$15,000.00
Lake Macquarie City Council	\$36,000.00
Clarence Valley Council	\$27,200.00
Sutherland Shire Council	\$40,000.00
Hunter Councils	\$81,000.00
Nambucca Shire Council	\$15,000.00
Tamworth Regional Council	\$40,000.00
Tweed Shire Council	\$15,000.00
Mid-Western Regional Council	\$10,880.00
Byron Shire Council	\$15,000.00
Kempsey Shire Council	\$15,000.00
Campbelltown City Council	\$15,000.00
Upper Hunter Shire Council	\$25,000.00
Wollondilly Shire Council	\$7,000.00
Hilltops Council	\$15,000.00
Clarence Valley Council	\$33,687.00

## Local Government New South Wales

Independent auditor's report to members

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Local Government New South Wales and the entities it controls (the Company and its subsidiaries (the Association)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Association, is in accordance with the Industrial Relations Act 1991, including:

- (i) presenting fairly the Association's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009

I declare that management's use of the going concern basis in the preparation of the financial statements of the Association is appropriate.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### CHARTERED ACCOUNTANTS & ADVISORS

**Sydney Office**  
Level 29, 66 Goulburn Street  
Sydney NSW 2000  
Telephone: +61 2 8263 4000

**Parramatta Office**  
Level 7, 3 Horwood Place  
Parramatta NSW 2150  
PO Box 19  
Parramatta NSW 2124  
Telephone: +61 2 8836 1500  
[williambuck.com](http://williambuck.com)



## **Responsibilities of the Directors for the Financial Report**

The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Industrial Relations Act 1991 and Fair Work (Registered Organisations) Act 2009 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Association to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I declare that I am an approved auditor, a fellow of Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of section 257(7) of the Fair Work (Registered Organisations) Act 2009, we are required to describe any deficiency, failure or shortcoming in respect of the matters referred to in section 252 and 257(2) of the Fair Work (Registered Organisations) Act 2009.

In our opinion, there is no matter to report.

### **Report on the Recovery of Wages Activity Financial Report**

#### *Opinion on the recovery of wages activity financial report*


The scope of our work extended to the recovery of wages activity and we have audited the recovery of wages activity financial report for the year ended 30 June 2017.

In our opinion, the financial statements and notes and recovery of wages activity financial report properly and fairly report all information required by the reporting guidelines of the General Manager.

We note that there are no recoveries to report.

#### *Responsibilities*

The directors of the Association are responsible for the preparation and presentation of the recovery of wages activity financial report in accordance with the reporting guidelines of the General Manager. Our responsibility is to express an opinion on the recovery of wages activity financial report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in cursive script that reads "William Buck".

William Buck  
Chartered Accountants  
ABN 16 021 300 521

A handwritten signature in cursive script that reads "L.E. Tutt".

L.E. Tutt  
Partner  
Sydney, 19 September 2017

Registration number (as registered by the Registered Organisations Commissioner under the Fair Work (Registered Organisations) Act 2009): AA2017/118

**Local Government New South Wales  
Board's declaration  
30 June 2017**

In the opinion of the Board the financial report as set out on the following pages:

1. Presents a true and fair view of the consolidated financial position of the Association (consisting of Local Government New South Wales ('LGNSW') and the entities it controlled at the end of, or during, the year) and the financial position of Local Government New South Wales as at 30 June 2017 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Standards Board.
2. Has been prepared to meet the requirements of the Industrial Relations Act 1991 and Fair Work (Registered Organisations) Act 2009.
3. At the date of this statement, there are reasonable grounds to believe that Local Government New South Wales will be able to pay its debts as and when they fall due.
4. During the 2016/17 financial year and since the end of that year:
  - a) meetings of the committee of management were held in accordance with the rules of LGNSW;
  - b) the financial affairs of LGNSW have been managed in accordance with the rules of LGNSW; and
  - c) the financial records of LGNSW have been kept and maintained in accordance with the Fair Work (Registered Organisations) Act

This statement is made and signed for and on behalf of Local Government New South Wales by:

Cr Keith Rhoades  
(President)



Dated this *19<sup>th</sup>* Day of *SEPTEMBER* 2017

**Notice to Members**

Subsections (1) and (2) of section 512 of the Industrial Relations Act 1991, preserved as regulations under section 282(3) Industrial Relations Act 1996, provide that:

- (1) A member of an organisation, or the Industrial Registrar, may apply to the organisation for specified information prescribed by the regulations in relation to the organisation. [Industrial Relations Regulation 1992, clause 60]
- (2) An organisation must, on the making of such an application, make the specified information available to the member or the Industrial Registrar in the manner, and within the time, prescribed by the regulations.

**Local Government New South Wales**  
**Statements of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**

	Note	LGNSW CONSOLIDATED		LGNSW	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Revenue</b>					
Membership subscription		5,036,523	5,139,129	5,036,523	5,139,129
Council services		2,204,552	1,974,650	2,204,552	1,974,650
Commission received	6	8,258,631	7,469,045	1,618,234	1,609,719
Conferences and seminars		1,548,158	1,646,383	1,548,158	1,564,393
Investment income	6	1,636,015	586,333	1,635,018	605,258
Cost contribution income		-	-	951,830	220,525
Other revenue		335,303	17,003	257,750	17,003
		<u>19,019,182</u>	<u>16,832,543</u>	<u>13,252,065</u>	<u>11,130,677</u>
Grant income	7	2,406,165	1,284,712	2,406,165	1,284,712
<b>Expenses</b>					
Employee benefits expense	8	(9,919,116)	(9,827,024)	(6,994,194)	(6,590,111)
Affiliation fees	10	(579,043)	(568,582)	(579,043)	(568,582)
Administrative expenses	11	(4,463,427)	(4,101,996)	(3,219,212)	(2,958,150)
Grant expenses	7	(2,406,165)	(1,284,712)	(2,406,165)	(1,284,712)
Council services		(2,394,748)	(2,071,532)	(962,634)	(904,893)
Depreciation and amortisation expense	12	(338,766)	(318,945)	(250,223)	(223,721)
Legal costs	13	(208,291)	(206,075)	(148,272)	(155,826)
Audit fees	36	(35,047)	(19,432)	(23,547)	(9,827)
Net loss from sale of assets	14	(5,804)	(7,612)	-	(8,222)
		<u>1,074,940</u>	<u>(288,655)</u>	<u>1,074,940</u>	<u>(288,655)</u>
<b>Profit/(Loss) before income tax expense</b>					
Income tax expense		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit/(Loss) after income tax expense for the year attributable to the owners of Local Government New South Wales</b>	32	<u>1,074,940</u>	<u>(288,655)</u>	<u>1,074,940</u>	<u>(288,655)</u>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gain on the revaluation of land and buildings		-	2,217,289	-	2,217,289
		<u>-</u>	<u>2,217,289</u>	<u>-</u>	<u>2,217,289</u>
Other comprehensive income for the year, net of tax		-	2,217,289	-	2,217,289
		<u>-</u>	<u>2,217,289</u>	<u>-</u>	<u>2,217,289</u>
<b>Total comprehensive income for the year attributable to the owners of Local Government New South Wales</b>		<u>1,074,940</u>	<u>1,928,634</u>	<u>1,074,940</u>	<u>1,928,634</u>

*The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Local Government New South Wales  
Statements of financial position  
As at 30 June 2017**

	Note	LGNSW CONSOLIDATED		LGNSW	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	16	8,823,617	5,777,242	7,060,893	5,346,927
Trade and other receivables	17	5,947,862	5,693,926	5,535,871	4,682,669
Available-for-sale financial assets	18	5,078,709	4,803,768	5,078,709	4,803,768
Held to maturity investments	19	43,151	4,985,917	43,151	4,985,917
Prepayments	20	553,602	403,066	486,634	340,775
<b>Total current assets</b>		<u>20,446,941</u>	<u>21,663,919</u>	<u>18,205,258</u>	<u>20,160,056</u>
<b>Non-current assets</b>					
Available-for-sale financial assets	21	3,000,000	3,000,000	3,000,000	3,000,000
Held to maturity investments	22	17,154,819	13,507,947	17,154,819	13,507,947
Land and buildings	23	8,113,096	8,300,000	8,113,096	8,300,000
Property, plant and equipment	24	498,651	539,731	333,460	303,288
Intangible assets	25	10,965	31,182	-	-
Investment in associates	26	-	-	36	36
<b>Total non-current assets</b>		<u>28,777,531</u>	<u>25,378,860</u>	<u>28,601,411</u>	<u>25,111,271</u>
<b>Total assets</b>		<u>49,224,472</u>	<u>47,042,779</u>	<u>46,806,669</u>	<u>45,271,327</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	27	3,610,041	2,439,041	1,493,230	1,105,858
Short term provisions	28	1,690,001	687,662	1,441,975	513,305
Other financial liabilities	29	10,073,346	10,133,532	10,073,346	10,133,532
<b>Total current liabilities</b>		<u>15,373,388</u>	<u>13,260,235</u>	<u>13,008,551</u>	<u>11,752,695</u>
<b>Non-current liabilities</b>					
Employee provisions	30	188,420	1,194,820	134,336	929,790
<b>Total non-current liabilities</b>		<u>188,420</u>	<u>1,194,820</u>	<u>134,336</u>	<u>929,790</u>
<b>Total liabilities</b>		<u>15,561,808</u>	<u>14,455,055</u>	<u>13,142,887</u>	<u>12,682,485</u>
<b>Net assets</b>		<u>33,662,664</u>	<u>32,587,724</u>	<u>33,663,782</u>	<u>32,588,842</u>
<b>Equity</b>					
Settled sum		20	20	-	-
General funds	31	2,217,289	2,217,289	2,217,289	2,217,289
Retained earnings	32	31,445,355	30,370,415	31,446,493	30,371,553
<b>Total equity</b>		<u>33,662,664</u>	<u>32,587,724</u>	<u>33,663,782</u>	<u>32,588,842</u>

*The above statements of financial position should be read in conjunction with the accompanying notes*

**Local Government New South Wales  
Statements of changes in equity  
For the year ended 30 June 2017**

	<b>General funds \$</b>	<b>Settled sum \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>LGNSW CONSOLIDATED</b>				
Balance at 1 July 2015	-	20	30,659,070	30,659,090
Loss after income tax expense for the year	-	-	(288,655)	(288,655)
Other comprehensive income for the year, net of tax	2,217,289	-	-	2,217,289
Total comprehensive income for the year	2,217,289	-	(288,655)	1,928,634
Balance at 30 June 2016	2,217,289	20	30,370,415	32,587,724

	<b>General funds \$</b>	<b>Settled sum \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>LGNSW CONSOLIDATED</b>				
Balance at 1 July 2016	2,217,289	20	30,370,415	32,587,724
Profit after income tax expense for the year	-	-	1,074,940	1,074,940
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,074,940	1,074,940
Balance at 30 June 2017	2,217,289	20	31,445,355	33,662,664

	<b>General funds \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>LGNSW</b>			
Balance at 1 July 2015		-	30,660,208
Loss after income tax expense for the year		-	(288,655)
Other comprehensive income for the year, net of tax	2,217,289	-	2,217,289
Total comprehensive income for the year	2,217,289	(288,655)	1,928,634
Balance at 30 June 2016	2,217,289	30,371,553	32,588,842

	<b>General funds \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>LGNSW</b>			
Balance at 1 July 2016	2,217,289	30,371,553	32,588,842
Profit after income tax expense for the year		-	1,074,940
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	1,074,940
Balance at 30 June 2017	2,217,289	31,446,493	33,663,782

*The above statements of changes in equity should be read in conjunction with the accompanying notes*



**Local Government New South Wales  
Statements of cash flows  
For the year ended 30 June 2017**

	Note	LGNSW CONSOLIDATED		LGNSW	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		19,455,488	20,864,715	12,952,837	14,928,575
Payments to suppliers and employees		(18,989,434)	(18,576,012)	(13,958,338)	(13,191,489)
Investment income		923,632	1,007,262	921,977	1,005,456
Net cash from/(used in) operating activities	38	<u>1,389,686</u>	<u>3,295,965</u>	<u>(83,524)</u>	<u>2,742,542</u>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		32,768	26,818	-	17,727
Net movements in investments		1,733,336	667,888	1,733,336	667,888
Purchase of property, plant and equipment		(129,137)	(415,961)	(93,491)	(292,529)
Purchase of intangibles		-	(11,424)	-	-
Net cash from investing activities		<u>1,636,967</u>	<u>267,321</u>	<u>1,639,845</u>	<u>393,086</u>
<b>Cash flows from financing activities</b>					
Net receipts from other reporting units/controlled entity	39	-	-	137,923	300,000
Net movement in government grant funding received		19,722	1,430,752	19,722	1,430,752
Net cash from financing activities		<u>19,722</u>	<u>1,430,752</u>	<u>157,645</u>	<u>1,730,752</u>
Net increase in cash and cash equivalents		3,046,375	4,994,038	1,713,966	4,866,380
Cash and cash equivalents at the beginning of the financial year		5,777,242	783,204	5,346,927	480,547
Cash and cash equivalents at the end of the financial year	16	<u><u>8,823,617</u></u>	<u><u>5,777,242</u></u>	<u><u>7,060,893</u></u>	<u><u>5,346,927</u></u>

*The above statements of cash flows should be read in conjunction with the accompanying notes*

**Local Government New South Wales  
Recovery of wages activity  
30 June 2017**

	Note	LGNSW CONSOLIDATED		LGNSW	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Cash assets in respect of recovered money at beginning of year</b>		-	-	-	-
<b>Receipts</b>					
Amounts recovered from employers in respect of wages etc.		-	-	-	-
Interest received on recovered money		-	-	-	-
<b>Total receipts</b>		-	-	-	-
<b>Payments</b>					
Deductions of amounts due in respect of membership for:					
12 months or less		-	-	-	-
Greater than 12 months		-	-	-	-
Deductions of donations or other contributions to accounts or funds of:					
The reporting unit:					
Account		-	-	-	-
Fund		-	-	-	-
Name of other reporting unit of the organisation:					
Account		-	-	-	-
Fund		-	-	-	-
Name of other entity:					
Account		-	-	-	-
Fund		-	-	-	-
Deductions of fees or reimbursement of expenses		-	-	-	-
Payments to workers in respect of recovered money		-	-	-	-
<b>Total payments</b>		-	-	-	-
<b>Cash assets in respect of recovered money at end of year</b>		-	-	-	-
Number of workers to which the monies recovered relates		-	-	-	-
<b>Aggregate payables to workers attributable to recovered monies but not yet distributed</b>					
Payable balance		-	-	-	-
Number of workers the payable relates to		-	-	-	-
<b>Fund or account operated for recovery of wages</b>					
Fund		-	-	-	-

**Note:** LGNSW did not have any recovery of wages activity however under disclosure requirements the statement is required even if 'nil'.

**Local Government New South Wales  
Notes to the financial statements  
30 June 2017**

**Note 1. Statement by the Board**

The financial statements cover both Local Government New South Wales as an individual entity and the Association consisting of Local Government New South Wales and the entities it controlled at the end of, or during, the year, together referred to as "the Association". The financial statements are presented in Australian dollars, which is the Association's functional and presentation currency.

The financial statements were authorised for issue on 19 September 2017.

**Note 2. Significant accounting policies**

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Association.

The following Accounting Standards and Interpretations are most relevant to the Association:

*AASB 10 Consolidated Financial Statements*

The Association has applied AASB 10, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Association not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

*AASB 12 Disclosure of Interests in Other Entities*

The Association has applied AASB 12. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities.

**Basis of preparation of the financial statements**

The financial statements are general purpose financial statements and have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board ('AASB') and the Associations Incorporations Act 1996, the Industrial Relations Act 1991 and Fair Work (Registered Organisations) Act 2009. For the purpose of preparing the general purpose financial statements, Local Government New South Wales is a not-for-profit entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Comparative amounts**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Principals of Consolidation**

**Consolidated Entities**

The following is the list of consolidated entities. All consolidated entities have a 30 June financial year end.

**Local Government New South Wales  
Notes to the financial statements  
30 June 2017**

**Note 2. Significant accounting policies (continued)**

**Association**

By agreement dated 5 September 1994, and amended by agreement dated 26 July 2002, the Local Government Association of New South Wales ("LGA") and the Shires Association of New South Wales ("SA") (collectively referred to as "LGNSW") established an unincorporated joint venture (the "Secretariat") to be a joint operating fund. As from 1 March 2013 a new constitution came into effect, amalgamating the Local Government Association of NSW "LGA NSW" and the Shires Association of NSW "SA NSW" into a single organisation, namely the Local Government and Shires Association of New South Wales (the "Association"), known as Local Government NSW.

**Local Government Procurement Partnership**

Local Government Procurement Partnership is a partnership established on 18 November 2005. The partners of Local Government Procurement Partnership are LGP (LGA NSW) Pty Ltd and LGP (SA NSW) Pty Ltd, both companies incorporated and domiciled in Australia. The principal activity of the partnership during the financial year was providing tendering and purchasing services.

**Local Government Procurement Pty Ltd**

Local Government Procurement Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company manages the principal activities of Local Government Procurement Partnership.

**LGP (LGA NSW) Pty Ltd**

LGP (LGA NSW) Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company acts solely as trustee of a LGP (LGA NSW) Trust.

**LGP (SA NSW) Pty Ltd**

LGP (SA NSW) Pty Ltd is a proprietary company incorporated and domiciled in Australia. The company was incorporated on 18 November 2005. The company acts solely as trustee of a LGP (SA NSW) Trust.

**LGP (LGA NSW) Trust**

LGP (LGA NSW) Trust was formed on 8 December 2005. The beneficiary of the Trust is the Association as defined above.

**LGP (SA NSW) Trust**

LGP (SA NSW) Trust was formed on 8 December 2005. The beneficiary of the Trust is the Association as defined above.

All intercompany balances and transactions including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Association.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Donation income*

Donation income is recognised upon receipt.

**Local Government New South Wales  
Notes to the financial statements  
30 June 2017**

**Note 2. Significant accounting policies (continued)**

*Receivables*

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Rent*

Rent revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

*Procurement commission*

Commission income represents amounts raised against suppliers and contractors, based on commission rates as agreed to between the parties upon entering procurement contracts and the level of financial activity between suppliers and contractors and the partnership's customers, as reported to the partnership during the financial year.

*Rendering of services*

Revenue from the rendering of services is recognised upon the delivery of the service to customers.

All revenue is stated net of the amount of goods and services tax (GST).

**Gains**

*Sale of assets*

Gains and losses from disposal of assets are recognised when control of the asset has passed to the buyer.

**Capitation fees and levies**

Capitation fees and levies are recognised on an accrual basis and recorded as a revenue and/or expense in the year to which it relates.

**Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and termination benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for short-term employee benefits (as defined in AASB 119 Employee Benefits) and termination benefits which are expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits which are expected to be settled beyond twelve months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Provision is made for separation and redundancy benefit payments. The Association recognises a provision for termination as part of a broader restructuring when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. A provision for voluntary termination is recognised when the employee has accepted the offer of termination.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Note 2. Significant accounting policies (continued)**

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Cash and cash equivalents**

Cash and cash equivalents includes 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.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets and liabilities**

*Fair value through profit or loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

**Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Held-to-maturity investments*

Held-to-maturity investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Association has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Held-to-maturity investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

**Note 2. Significant accounting policies (continued)**

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

***Impairment of financial assets***

The Association assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise grant; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**Derecognition of financial assets**

The reporting unit derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**Other financial liabilities**

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**Derecognition of financial liabilities**

The reporting unit derecognises financial liabilities when, and only when, the reporting unit obligations are discharged, cancelled or they expire. The difference between the carrying amounts of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Contingent liabilities and contingent assets**

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

**Land, buildings, plant and equipment**

**Asset recognition threshold**

Purchases of land, buildings, plant and equipment are recognised initially at cost in the Statement of Financial Position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

**Local Government New South Wales  
Notes to the financial statements  
30 June 2017**

**Note 2. Significant accounting policies (continued)**

**Revaluations - land and buildings**

Following initial recognition at cost, land and buildings are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient frequency such that the carrying amount of assets do not differ materially from those that would be determined using fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the profit or loss except to the extent that they reverse a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

**Depreciation**

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful life using, in all cases, the straight line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Buildings	2.5%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	18.75%
Office Equipment	20%
Computer Equipment	33%

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

**Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Intangible assets**

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful lives of the Association's intangible assets are:

***Website & Software Development***

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Significant costs associated with the development of the revenue generating aspects of the website are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

***Derecognition***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit and loss when the asset is derecognised.



**Note 2. Significant accounting policies (continued)**

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Taxation**

The Association is exempt from income tax under section 50.15 of the Income Tax Assessment Act 1997 however still has obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified within operating cash flows.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

**Note 2. Significant accounting policies (continued)**

**Recognition of grants and other contributions**

Grants and other contributions are recognised as revenue when they have been expended for the purpose for which they were given. Any unexpended amounts are shown as liabilities.

**Investment - StateCover Mutual Limited**

LGNSW has facilitated the establishment and management of pooled Workers Compensation Insurance for its members, by way of a limited public company.

As part of this, LGNSW has provided \$3.0 million (in return for shares) to ensure that prudent financial reserve ratios required by APRA could be met. A fee is paid to LGNSW for this facilitation, governance and other services. The shares do not entitle the LGNSW to any share of profits or distributions.

Members of the scheme are fully responsible under the terms of insurance (and the company's constitution) to ensure that the company's prudential solvency requirements are met by way of Capital Shortfall calls and thereby maintain the level of LGNSW's share capital.

**Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet mandatory, have not been early adopted by the Association for the annual reporting period ended 30 June 2017. The Association's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Association, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Association will adopt this standard from 1 July 2018 onwards and is currently in the process of assessing its impact.

**Note 2. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfill a contract with a customer.

The Association will adopt this standard from 1 July 2018 onwards and is currently in the process of assessing its impact.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

The Association will adopt this standard from 1 July 2019 onwards and is currently in the process of assessing its impact.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Fair value measurement hierarchy*

The Association is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*

The Association determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*

The Association tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Association assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

*Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

**Note 4. Capitation fees income**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Capitation fees received	-	-	-	-

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**Note 5. Levies**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Levies	-	-	-	-

**Note 6. Investment income and commission received**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Investment income</b>				
Interest from deposits held with financial institutions	704,615	752,741	702,660	750,935
Interest from related party	-	-	658	20,731
Dividends income from equity portfolio	219,317	254,521	219,317	254,521
Available for sale - unrealised gains/(losses)	232,165	(305,673)	232,165	(305,673)
Held to maturity - unrealised gains/(losses)	303,335	(19,525)	303,335	(19,525)
Gain/(loss) on sale of investments	176,883	(95,731)	176,883	(95,731)
Total Investment income generated	1,636,315	586,333	1,635,018	605,258

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
<b>Commission received</b>				
Commission - StateWide Mutual	486,303	505,179	569,000	505,179
Commission - StateCover Mutual	951,931	924,540	951,931	924,540
Commission - supplier contracts	6,640,397	5,859,326	-	-
Management fees	180,000	180,000	180,000	180,000
Total commission received	8,258,631	7,469,045	1,700,931	1,609,719

**Note 7. Grants or donations**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Grants received	2,406,165	1,284,712	2,406,165	1,284,712
Grants paid that were \$1,000 or more	(975,981)	(582,464)	(975,981)	(582,464)
Grant administration expense	(1,430,184)	(702,248)	(1,430,184)	(702,248)
Total grants	-	-	-	-

The Association does not fund grants and donations in its own capacity, but only acts in the capacity of an administrator of the respective grant programs. Administration includes providing managerial facilitation services and ensuring that grant funds and related donations are applied to meet the grants' objectives.

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
Donations				
Donations received	-	-	-	-
Donations paid	-	-	-	-
Total donations	-	-	-	-

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**Note 8. Employee benefits expense**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Holders of office</b>				
Wages and salaries	(155,065)	(158,121)	(155,065)	(158,121)
Superannuation	(15,556)	(25,177)	(15,556)	(25,177)
Subtotal employee expenses - holders of office	<u>(170,621)</u>	<u>(183,298)</u>	<u>(170,621)</u>	<u>(183,298)</u>
	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Employees other than holders of office</b>				
Wages and salaries	(8,087,348)	(7,929,046)	(5,597,526)	(5,354,743)
Superannuation	(775,440)	(781,233)	(555,744)	(531,020)
Leave and other entitlements	(165,905)	(217,708)	(238,356)	(111,608)
Other employee expenses	(719,802)	(715,739)	(431,947)	(409,442)
Subtotal employee expenses - employees other than office holders	<u>(9,748,495)</u>	<u>(9,643,726)</u>	<u>(6,823,573)</u>	<u>(6,406,813)</u>
Total employee expenses	<u>(9,919,116)</u>	<u>(9,827,024)</u>	<u>(6,994,194)</u>	<u>(6,590,111)</u>

**Note 9. Capitation fees paid**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Capitation fees paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Note 10. Affiliation fees**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australian Local Government Association	<u>(579,043)</u>	<u>(568,582)</u>	<u>(579,043)</u>	<u>(568,582)</u>



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**Note 14. Net loss from the sale of assets**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Plant and equipment	(5,804)	(7,612)	-	(8,222)

**Note 15. Other expenses**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Penalties - via ROI Act or RO Regulations	-	-	-	-

**Note 16. Current assets - cash and cash equivalents**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash on hand	2,056	2,056	1,000	1,000
Cash at bank - LGNSW funds	4,402,729	1,981,169	2,722,662	1,632,144
Cash at bank - grant funds	4,337,231	3,713,783	4,337,231	3,713,783
Cash on deposit	81,601	80,234	-	-
	<u>8,823,617</u>	<u>5,777,242</u>	<u>7,060,893</u>	<u>5,346,927</u>

**Note 17. Current assets - trade and other receivables**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade receivables	5,770,354	5,498,659	3,734,421	3,718,310
Provision for doubtful debts	(45,000)	(45,000)	-	-
Loans to related parties	-	-	1,628,759	814,194
Interest and other receivables	2,531	3,949	2,531	3,949
GST receivable	219,977	236,318	170,160	146,216
	<u>5,947,862</u>	<u>5,693,926</u>	<u>5,535,871</u>	<u>4,682,669</u>

The Association does not have significant concentration of credit risk with respect to any single counterparty and manages its exposure as outlined in Note 33.

**Note 18. Current assets - available-for-sale financial assets**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Mutual Investment - Equities	<u>5,078,709</u>	<u>4,803,768</u>	<u>5,078,709</u>	<u>4,803,768</u>



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**Note 19. Current assets - held to maturity investments**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Call account	43,151	1,682,688	43,151	1,682,688
Mutual Investment - Term deposits - Bank of Queensland	-	3,303,229	-	3,303,229
	<u>43,151</u>	<u>4,985,917</u>	<u>43,151</u>	<u>4,985,917</u>

**Note 20. Current assets - prepayments**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Prepayments	452,073	368,317	385,105	306,026
Premium on investments	101,529	34,749	101,529	34,749
	<u>553,602</u>	<u>403,066</u>	<u>486,634</u>	<u>340,775</u>

**Note 21. Non-current assets - available-for-sale financial assets**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Shares in StateCover Mutual Limited	3,000,000	3,000,000	3,000,000	3,000,000

**Note 22. Non-current assets - held to maturity investments**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Term deposit - Bank of Melbourne	2,000,000	2,000,000	2,000,000	2,000,000
Mutual Investment - Fixed interest - National Australia Bank	4,584,780	4,471,083	4,584,780	4,471,083
Mutual Investment - Fixed interest - ANZ Bank	1,009,962	984,275	1,009,962	984,275
Mutual Investment - Fixed interest - Bank of Queensland	2,063,934	1,039,283	2,063,934	1,039,283
Mutual Investment - Fixed interest - Bendigo Bank	5,227,543	2,943,592	5,227,543	2,943,592
Mutual Investment - Fixed interest - Westpac Bank	146,719	-	146,719	-
Mutual investment - Fixed interest - Commonwealth Bank of Australia	2,113,657	2,069,264	2,113,657	2,069,264
	<u>17,154,819</u>	<u>13,507,947</u>	<u>17,154,819</u>	<u>13,507,947</u>

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**Note 23. Non-current assets - land and buildings**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Land and buildings - at fair value	9,117,860	9,117,860	9,117,860	9,117,860
Less: Accumulated depreciation	(1,004,764)	(817,860)	(1,004,764)	(817,860)
	<u>8,113,096</u>	<u>8,300,000</u>	<u>8,113,096</u>	<u>8,300,000</u>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	8,300,000	6,214,173	8,300,000	6,214,173
Revaluation of land and building	-	2,217,289	-	2,217,289
Depreciation expense	(186,904)	(131,462)	(186,904)	(131,462)
Closing fair value	<u>8,113,096</u>	<u>8,300,000</u>	<u>8,113,096</u>	<u>8,300,000</u>

**Note 24. Non-current assets - property, plant and equipment**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Leasehold improvements - at cost	78,724	185,762	-	107,038
Less: Accumulated depreciation	(27,436)	(118,729)	-	(107,038)
	<u>51,288</u>	<u>67,033</u>	<u>-</u>	<u>-</u>
Fixtures and fittings - at cost	847,753	848,260	841,377	841,884
Less: Accumulated depreciation	(633,257)	(600,871)	(629,888)	(597,869)
	<u>214,496</u>	<u>247,389</u>	<u>211,489</u>	<u>244,015</u>
Motor vehicles - at cost	170,816	185,049	39,404	-
Less: Accumulated depreciation	(70,064)	(58,333)	(304)	-
	<u>100,752</u>	<u>126,716</u>	<u>39,100</u>	<u>-</u>
Office equipment - at cost	548,551	967,474	354,969	809,540
Less: Accumulated depreciation	(420,336)	(872,781)	(275,998)	(754,167)
	<u>128,215</u>	<u>94,693</u>	<u>78,971</u>	<u>55,373</u>
Paintings and artworks	3,900	3,900	3,900	3,900
	<u>498,651</u>	<u>539,731</u>	<u>333,460</u>	<u>303,288</u>

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**Note 24. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>LGNSW CONSOLIDATED</b>	Leasehold Improvements \$	Furniture, Fixtures & Fittings* \$	Motor Vehicles \$	Office Equipment \$	Total \$
Balance at 1 July 2015	12,062	24,854	171,622	110,767	319,305
Additions	78,724	248,805	26,528	61,904	415,961
Disposals	-	-	(34,220)	(757)	(34,977)
Depreciation expense	(23,753)	(22,370)	(37,214)	(77,221)	(160,558)
Balance at 30 June 2016	67,033	251,289	126,716	94,693	539,731
Additions	-	-	39,404	89,733	129,137
Disposals	-	-	(38,572)	-	(38,572)
Depreciation expense	(15,745)	(32,893)	(26,796)	(56,211)	(131,645)
Balance at 30 June 2017	<u>51,288</u>	<u>218,396</u>	<u>100,752</u>	<u>128,215</u>	<u>498,651</u>

\* Furniture and Fixtures for the purposes of reconciliation includes the paintings and artworks balance.

<b>LGNSW</b>	Leasehold Improvements \$	Furniture, Fixtures & Fittings* \$	Motor Vehicles \$	Office Equipment \$	Total \$
Balance at 1 July 2015	12,062	24,854	28,355	59,012	124,283
Additions	-	245,207	-	47,322	292,529
Disposals	-	-	(25,737)	(758)	(26,495)
Depreciation expense	(12,062)	(22,146)	(2,618)	(50,203)	(87,029)
Balance at 30 June 2016	-	247,915	-	55,373	303,288
Additions	-	-	39,404	54,087	93,491
Depreciation expense	-	(32,526)	(304)	(30,489)	(63,319)
Balance at 30 June 2017	<u>-</u>	<u>215,389</u>	<u>39,100</u>	<u>78,971</u>	<u>333,460</u>

\* Furniture and Fixtures for the purposes of reconciliation includes the paintings and artworks balance.

**Note 25. Non-current assets - intangible assets**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Website and software development - at cost	457,707	488,177	276,659	307,129
Less: Accumulated amortisation	(446,742)	(456,995)	(276,659)	(307,129)
	<u>10,965</u>	<u>31,182</u>	<u>-</u>	<u>-</u>

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**Note 25. Non-current assets - intangible assets (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>LGNSW CONSOLIDATED</b>	Website & Software Development \$	Total \$
Balance at 1 July 2015	46,683	46,683
Additions	11,424	11,424
Amortisation expense	(26,925)	(26,925)
Balance at 30 June 2016	31,182	31,182
Amortisation expense	(20,217)	(20,217)
Balance at 30 June 2017	<u>10,965</u>	<u>10,965</u>

<b>LGNSW</b>	Website & Software Development \$	Total \$
Balance at 1 July 2015	5,230	5,230
Amortisation expense	(5,230)	(5,230)
Balance at 30 June 2016	-	-
Balance at 30 June 2017	<u>-</u>	<u>-</u>

**Note 26. Non-current assets - investment in associates**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$	\$
Investment in related party's Trust companies	-	-	36	36

**Note 27. Current liabilities - trade and other payables**

	<b>LGNSW CONSOLIDATED</b>		<b>LGNSW</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$	\$
Trade payables	924,724	202,340	539,412	84,958
Sundry payables and accrued expenses	1,778,951	1,150,580	269,780	97,067
GST payable	906,366	1,086,121	684,038	923,833
	<u>3,610,041</u>	<u>2,439,041</u>	<u>1,493,230</u>	<u>1,105,858</u>

All payables are expected to be settled within 12 months and related party payables included in trade payables amount to nil (2016: \$13,334), whilst legal payables amount to \$7,150 (2016: \$7,260). Nil amounts are included relating to payroll deductions.

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**Note 28. Current liabilities - short term provisions**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Annual leave - Employees other than office holders	739,014	671,295	636,394	513,305
Long service leave - Employees other than office holders	950,987	16,367	805,581	-
	<u>1,690,001</u>	<u>687,662</u>	<u>1,441,975</u>	<u>513,305</u>

**Note 29. Current liabilities - other financial liabilities**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Scholarship funds held	587,020	580,644	587,020	580,644
Unspent government grants	3,487,743	3,474,397	3,487,743	3,474,397
Other deferred income	5,998,583	6,078,491	5,998,583	6,078,491
	<u>10,073,346</u>	<u>10,133,532</u>	<u>10,073,346</u>	<u>10,133,532</u>

**Note 30. Non-current liabilities - employee provisions**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Long service leave - Employees other than office holders	188,420	1,194,820	134,336	929,790
	<u>188,420</u>	<u>1,194,820</u>	<u>134,336</u>	<u>929,790</u>

**Note 31. Equity - general funds**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revaluation surplus reserve	2,217,289	2,217,289	2,217,289	2,217,289
	<u>2,217,289</u>	<u>2,217,289</u>	<u>2,217,289</u>	<u>2,217,289</u>

**Note 32. Equity - retained earnings**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Retained earnings at the beginning of the financial year	30,370,415	30,659,070	30,371,553	30,660,208
Profit/(Loss) after income tax expense for the year	1,074,940	(288,655)	1,074,940	(288,655)
Retained earnings at the end of the financial year	<u>31,445,355</u>	<u>30,370,415</u>	<u>31,446,493</u>	<u>30,371,553</u>

**Note 33. Financial instruments**

**Financial risk management policies**

Managing the financial risk exposures of Local Government NSW ("LGNSW") is the responsibility of the Board committee ("Board"). The Board monitors LGNSW's financial risk management policies and exposures and approves financial transactions within the scope of its authority.

It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

**Local Government New South Wales  
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**Note 33. Financial instruments (continued)**

The Board's overall risk management strategy seeks to assist LGNSW in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

**Market risk**

*Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting year whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments which primarily expose LGNSW to interest rate risk are term deposits and cash and cash equivalents.

LGNSW CONSOLIDATED	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	2.00%	8,823,617	2.00%	5,777,242
Receivables	-	5,727,885	-	5,457,608
Investments (subject to interest rate risk)	4.12%	<u>17,197,970</u>	4.00%	<u>18,493,864</u>
Net exposure to cash flow interest rate risk		<u><u>31,749,472</u></u>		<u><u>29,728,714</u></u>

An official increase/decrease in interest rates of one hundred (2016: one hundred) basis points would have a deemed favourable/(adverse) effect on profit before tax of \$260,216/(\$260,216) (2016: \$242,711/(\$242,711)) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

**Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to LGNSW.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Depending on the division within LGNSW, credit terms are generally 30 days from the invoice date. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise assessed as being financially sound.

**Credit risk exposures:**

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting year excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 17.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA and consist exclusively of term deposits products.

**Local Government New South Wales  
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**Note 33. Financial instruments (continued)**

**Liquidity risk**

Liquidity risk arises from the possibility that LGNSW might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Association manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

LGNSW maintains a very strong cash investment position at all times and does not consider liquidity risk to be significant.

Financial assets pledged as collateral:

No financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

The following tables detail the Association's expected maturity profile of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>LGNSW CONSOLIDATED - 2017</b>	%	\$	\$	\$	\$	\$
<b>Financial liabilities</b>						
<i>Non-interest bearing</i>						
Trade payables	-	3,610,041	-	-	-	3,610,041
Unspent government grants	-	2,003,010	2,071,753	-	-	4,074,763
Deferred income	-	5,998,583	-	-	-	5,998,583
Total non-derivatives		11,611,634	2,071,753	-	-	13,683,387
	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>LGNSW CONSOLIDATED - 2016</b>	%	\$	\$	\$	\$	\$
<b>Financial liabilities</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,439,041	-	-	-	2,439,041
Unspent government grants	-	1,599,855	2,455,186	-	-	4,055,041
Deferred income	-	6,078,491	-	-	-	6,078,491
Total non-derivatives		10,117,387	2,455,186	-	-	12,572,573
	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>LGNSW - 2017</b>	%	\$	\$	\$	\$	\$
<b>Financial liabilities</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,493,230	-	-	-	1,493,230
Unspent government grants	-	2,003,010	2,071,753	-	-	4,074,763
Other deferred income	-	5,998,583	-	-	-	5,998,583
Total non-derivatives		9,494,823	2,071,753	-	-	11,566,576

**Local Government New South Wales  
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**Note 33. Financial instruments (continued)**

<b>LGNSW - 2016</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Financial liabilities</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,105,858	-	-	-	1,105,858
Unspent government grants	-	1,599,855	2,455,186	-	-	4,055,041
Other deferred income	-	6,078,491	-	-	-	6,078,491
<b>Total non-derivatives</b>		<b>8,784,204</b>	<b>2,455,186</b>	<b>-</b>	<b>-</b>	<b>11,239,390</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed above.

**Fair values**

Fair value estimation

The fair values of financial assets and financial liabilities can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Association and Local Government NSW are as follows:

<b>LGNSW CONSOLIDATED</b>	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount \$</b>	<b>Fair value \$</b>	<b>Carrying amount \$</b>	<b>Fair value \$</b>
<i>Assets</i>				
Cash and cash equivalents	8,823,617	8,823,617	5,777,242	5,777,242
Trade and other receivables	5,947,862	5,947,862	5,693,926	5,693,926
Term deposits	43,151	43,151	1,682,688	1,682,688
Mutual investments	17,154,819	17,154,819	16,811,176	16,811,176
Mutual equities	5,078,709	5,078,709	4,803,768	4,803,768
Shares in StateCover Mutual Limited (**)	3,000,000	3,000,000	3,000,000	3,000,000
	<u>40,048,158</u>	<u>40,048,158</u>	<u>37,768,800</u>	<u>37,768,800</u>
<i>Liabilities</i>				
Trade and other payables	(3,610,041)	(3,610,041)	(2,439,041)	(2,439,041)
Unspent government grants	(4,074,763)	(4,074,763)	(4,055,041)	(4,055,041)
Other deferred income	(5,998,583)	(5,998,583)	(6,078,491)	(6,078,491)
	<u>(13,683,387)</u>	<u>(13,683,387)</u>	<u>(12,572,573)</u>	<u>(12,572,573)</u>



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Note 33. Financial instruments (continued)

LGNSW	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<i>Assets</i>				
Cash and cash equivalents	7,060,893	7,060,893	5,346,927	5,346,927
Trade and other receivables (*)	3,907,112	3,907,112	3,868,475	3,868,475
Term deposits	43,151	43,151	1,682,688	1,682,688
Mutual investments	17,154,819	17,154,819	16,811,176	16,811,176
Mutual equities	5,078,709	5,078,709	4,803,768	4,803,768
Shares in StateCover Mutual Limited (**)	3,000,000	3,000,000	3,000,000	3,000,000
Investment in LGP Trust Companies (**)	-	-	36	36
	<u>36,244,684</u>	<u>36,244,684</u>	<u>35,513,070</u>	<u>35,513,070</u>
<i>Liabilities</i>				
Trade and other payables	(1,493,230)	(1,493,230)	(1,105,858)	(1,105,858)
Unspent government grants	(4,074,763)	(4,074,763)	(4,055,041)	(4,055,041)
Other deferred income	(5,998,583)	(5,998,583)	(6,078,491)	(6,078,491)
	<u>(11,566,576)</u>	<u>(11,566,576)</u>	<u>(11,239,390)</u>	<u>(11,239,390)</u>

\* Exclusive of related party loan receivable (Note 34)

\*\* Investments represent equity instruments deemed held at fair value due to the rights and entitlements attached to those instruments.

**Fair value hierarchy**

LGNSW CONSOLIDATED - 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	Total \$
Term deposits	-	43,151	-	-	43,151
Mutual investments	-	17,154,819	-	-	17,154,819
Mutual equities	5,078,709	-	-	-	5,078,709
Shares in StateCover Mutual Limited	-	3,000,000	-	-	3,000,000
	<u>5,078,709</u>	<u>20,197,970</u>	<u>-</u>	<u>-</u>	<u>25,276,979</u>
LGNSW CONSOLIDATED - 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	Total \$
Term deposits	-	1,682,688	-	-	1,682,688
Mutual investments	-	16,811,176	-	-	16,811,176
Mutual equities	4,803,768	-	-	-	4,803,768
Shares in StateCover Mutual Limited	-	3,000,000	-	-	3,000,000
	<u>4,803,768</u>	<u>21,493,864</u>	<u>-</u>	<u>-</u>	<u>26,297,632</u>
LGNSW - 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	Total \$
Term deposits	-	43,151	-	-	43,151
Mutual investments	-	17,154,819	-	-	17,154,819
Mutual equities	5,078,709	-	-	-	5,078,709
Shares in StateCover Mutual Limited	-	3,000,000	-	-	3,000,000
Investment in LGP Trust companies	-	-	36	-	36
	<u>5,078,709</u>	<u>20,197,970</u>	<u>36</u>	<u>-</u>	<u>25,276,715</u>

Local Government New South Wales  
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**Note 33. Financial instruments (continued)**

LGNSW - 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	Total \$
Term deposits	-	1,682,688	-	-	1,682,688
Mutual investments	-	16,811,176	-	-	16,811,176
Mutual equities	4,803,768	-	-	-	4,803,768
Shares in StateCover Mutual Limited	-	3,000,000	-	-	3,000,000
Investment in LGP Trust companies	-	-	36	-	36
	<u>4,803,768</u>	<u>21,493,864</u>	<u>36</u>	<u>-</u>	<u>26,297,668</u>

**Note 34. Related party disclosures**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Revenue received from Local Government Procurement Partnership includes the following:</b>				
Cost contribution income	-	-	951,830	220,525
Interest revenue	-	-	658	20,731
	<u>-</u>	<u>-</u>	<u>952,488</u>	<u>241,256</u>

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
<b>Amounts receivable from Local Government Procurement Partnership include the following</b>				
Trade and other receivables	-	-	1,628,759	814,194
	<u>-</u>	<u>-</u>	<u>1,628,759</u>	<u>814,194</u>

**Note 35. Key management personnel disclosures**

*Boards*

Key management personnel, as defined by the Association, represent the president of the Board as the head of the Association: Councillor Keith Rhoades

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Short-term employee benefits</b>				
Salary (including annual leave taken)	155,065	158,121	155,065	158,121
	<u>155,065</u>	<u>158,121</u>	<u>155,065</u>	<u>158,121</u>

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
<b>Post-employment benefits</b>				
Superannuation	15,556	15,022	15,556	15,022
	<u>15,556</u>	<u>15,022</u>	<u>15,556</u>	<u>15,022</u>

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Other long-term benefits</b>				
Long service leave	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**Note 35. Key management personnel disclosures (continued)**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
Termination benefits	-	-	-	-

*Transactions between key management personnel and their close family members*

There were no transactions between key management personnel and their close family members for the years ended 30 June 2017 and 30 June 2016.

**Note 36. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by, the auditor of Local Government NSW:

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Audit services -</i>				
Audit of the financial statements	30,000	29,000	20,395	19,395
<i>Other services -</i>				
Tax consulting services	11,630	6,985	11,630	6,985
	<u>41,630</u>	<u>35,985</u>	<u>32,025</u>	<u>26,380</u>

**Note 37. Contingent liabilities, assets and commitments**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Commitments for minimum lease payments in relation to operating leases are as follows</i>				
Not later than 12 months	336,359	323,424	-	-
Between 12 months and 5 years	728,779	1,024,171	-	-
	<u>1,065,138</u>	<u>1,347,595</u>	<u>-</u>	<u>-</u>

The operating lease represents the office leases by a related party for Suite 13.01, Level 55 Clarence St, Sydney. The lease agreement terminates on the 31 August 2020 with an option for another 5 years. The lease was signed on 1 August 2015 and no commitment existed in previous financial years, when operations were conducted from group owned premises.

The Association has obtained bank guarantees for the purpose of rental contracts amounting to \$197,140 (2016: \$197,140) provided by Commonwealth Bank.

**Local Government New South Wales  
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**Note 38. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Profit/(Loss) after income tax expense for the year	1,074,940	(288,655)	1,074,940	(288,655)
Adjustments for:				
Depreciation and amortisation	338,766	318,945	250,223	223,721
Net loss on disposal of property, plant and equipment	5,804	7,612	-	8,222
Capital (gain)/loss on floating rate note investments	(535,500)	325,198	(535,500)	325,198
Net (gain)/loss on sale of investments	(176,883)	95,731	(176,883)	95,731
Cost contribution income	-	-	(951,830)	(220,525)
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(253,936)	2,861,491	913,193	3,087,192
(Increase)/decrease in prepayments	(150,536)	35,896	(145,859)	(3,507)
Increase/(decrease) in trade payables and accruals	1,171,000	(518,430)	(565,116)	(820,545)
Increase/(decrease) in deferred income	(79,908)	446,302	(79,908)	446,302
Increase/(decrease) in provisions	(4,061)	11,875	133,216	(110,592)
Net cash from operating activities	<u>1,389,686</u>	<u>3,295,965</u>	<u>(83,524)</u>	<u>2,742,542</u>

**Note 39. Cash flow information**

	LGNSW CONSOLIDATED		LGNSW	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash inflows				
Local Government Procurement Partnership	-	-	137,923	300,000

**Note 40. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.



8 August 2017

Ms Donna Rygate  
Chief Executive  
Local Government and Shires Association of New South Wales  
By Email: [lgsa@lgsa.org.au](mailto:lgsa@lgsa.org.au)

Dear Ms Rygate,

**Re: Lodgement of Financial Report - [FR2017/217]  
*Fair Work (Registered Organisations) Act 2009 (the RO Act)***

The financial year of the Local Government and Shires Association of New South Wales (the reporting unit) ended on 30 June 2017. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

### **Loans Grants and Donations Statement**

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding \$1,000 for the reporting unit during its financial year. Section 237 of the RO act requires this statement to be lodged with Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, that is on or before 28 September 2017.

The attached fact sheet *Loans Grants and Donations* (FS 009) summarises the requirements of the Loans Grants and Donations Statement. A sample statement of loans, grants or donations is available on our [website](#).

It should be noted that s.237 is a civil penalty provision. If a loan, grant or donation over \$1000 has been made, failure to lodge a statement of loans, grants and donations (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention.

### **Financial report**

The RO Act sets out a particular chronological order in which your financial report must be prepared, audited, provided to members, presented to a meeting and then lodged with the ROC. The attached document *Summary of Financial Reporting timelines* (FS 008) summarises these requirements.

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on your rules) no later than 31 December 2017 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported. The financial report must break down the amounts of grants and donations and these figures will be compared to the loans, grants and donations statement (see attached *Loans Grants and Donations* fact sheet FS 009).

You can visit our website for more information regarding [financial reporting](#), and fact sheets regarding [financial reporting processes and requirements](#). A model set of financial statements developed by the

ROC is also available on our website. It is not obligatory to use this model but it is a useful resource to ensure compliance with the RO Act, the Reporting Guidelines and the Australian Accounting Standards.

It should be noted that s.268 of the RO Act is a civil penalty provision. Failure to lodge the full financial report (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention (s.268).

### **Auditor's report**

When assessing the financial report we will also focus on the structure and content of the auditor's report to ensure that it complies with the revisions made to the Auditing Standards which came into effect from 15 December 2016. Please find below a guidance note *Illustrative Auditor's Report* (GN 004) relating to these requirements (which can also be located on our website).

## **REMINDER**

### **YOUR AUDITOR MUST BE REGISTERED (s.256)**

You must ensure that your auditor is registered by the Registered Organisations Commissioner. A list of registered auditors is available on our [website](#).

### **Contact**

Should you require any clarification in relation to the above, please email [regorgs@roc.gov.au](mailto:regorgs@roc.gov.au).

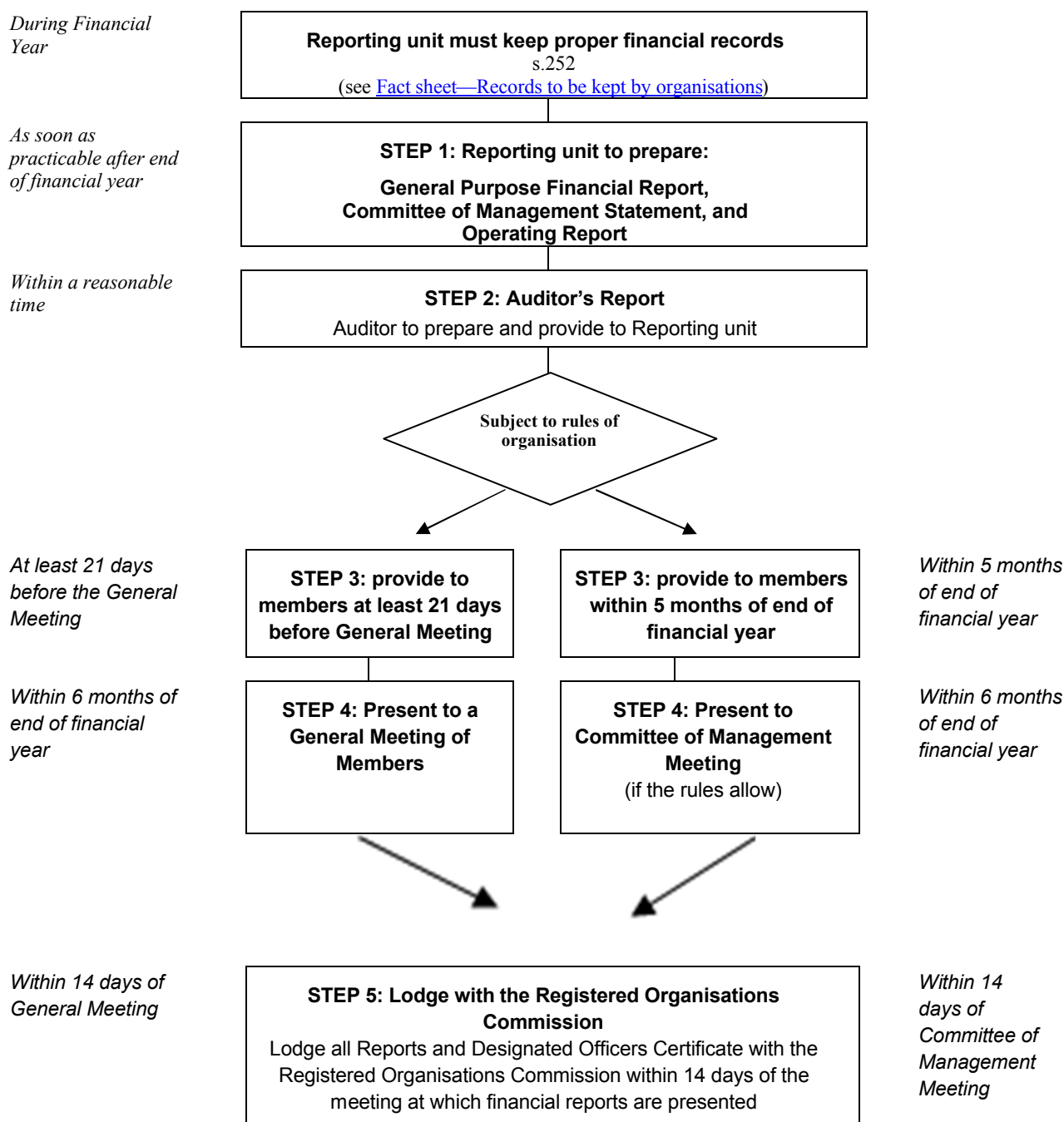
Yours faithfully,  
**Michael Moutevelis**  
**Registered Organisations Commission**



# Fact sheet

## Summary of financial reporting timelines – s.253 financial reports

See Fact sheet—Financial reporting for an explanation of each of these steps.





## Fact sheet

### Loans, Grants & Donations

#### **The Loans, Grants & Donations Requirements**

The *Fair Work (Registered Organisations) Act 2009* (the RO Act) requires an organisation or branch to lodge a loans, grants and donations statement (the statement) within **90 days** of the ending of the financial year.

Under the Commissioner's Reporting Guidelines, a reporting unit's General Purpose Financial Report (the financial report) must break down the amounts of grants and donations (see below). The figures in the financial report will be compared to the loans, grants and donations statement.

#### **The Loans, Grants & Donations Statement**

Section 237 of the RO Act applies to every loan, grant and donation made by an organisation or branch during the financial year that exceeds \$1000. The following information must be supplied to the Registered Organisations Commission (the ROC) for each relevant loan, grant or donation:

- the amount,
- the purpose,
- the security (if it is a loan),
- the name and address of the person to whom it was made,\* and
- the arrangements for repaying the loan.\*

\*The last two items are not required if the loan, grant or donation was made to relieve a member of the organisation (or their dependent) from severe financial hardship.



The statement must be lodged within 90 days of the end of the financial year and the ROC has a [Template Loans, Grants and Donations Statement](#) on its website. The ROC encourages branches and organisations to lodge the statement even if all of the figures are NIL.

#### **Common misconceptions**

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Statement. They include:

Misconception	Requirement
<b>X</b> Only reporting units must lodge the Statement.	<b>✓</b> All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches.
<b>X</b> Employees can sign the Statement.	<b>✓</b> The statement must be signed by an elected officer of the relevant branch.



	Statements can be lodged with the financial report.		The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late.
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### Grants & Donations within the Financial Report

Item 16(e) of the Commissioner's Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were \$1000 or less and those that exceeded \$1000.

As such, the note in the financial report relating to grants and donations will have four lines. In the [ROC's Model Statements](#) the note appears as follows:

#### Note 4E: Grants ~~OR~~ donations\*

Grants:	[Current year]	[Previous year]
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Donations:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
<b>Total grants or donations</b>	-	-

The Commissioner's Reporting Guidelines requires that these line items appear in the financial report even if the figures are NIL.

### Implications for filing the Financial Report

During their review of the financial report staff of the ROC may confirm that the figures in the financial report match the disclosures made in the statement. Any inconsistencies in these figures will be raised with the organisation or branch for explanation and action.

This may involve lodging an amended loans, grants or donations statement. Any failure to lodge a loans, grants or donations statement or lodging a statement that is false or misleading can attract civil penalties under the RO Act.

If a reporting unit did not fully comply with these requirements in their last financial report, its filing letter will have included a statement reminding the reporting unit of its obligations.

It is strongly recommended that all reporting units review their filing letters from the previous financial year to ensure any targeted concerns are addressed in their latest financial report. Failure to address these individual concerns may mean that a financial report cannot be filed.

Previous financial reports and filing letters are available from the website.

### Further information

If you have any further questions relating to the loan, grant and donation disclosure requirements in the statement or the financial report, please contact the ROC on [regorgs@roc.gov.au](mailto:regorgs@roc.gov.au)



## **Guidance Note**

### **Illustrative Auditor's Report under section 257 of the *Fair Work (Registered Organisations) Act 2009***

Prepared and issued by the Registered Organisations Commission

<b>Version</b>	<b>Date published</b>
1	4 August 2017

## 1. Introduction

The purpose of this guidance note is to provide Registered Organisations with guidance on the revised Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700), as issued by the Auditing and Assurance Standards Board ('AUASB').

An 'Illustrative Auditor's Report' is included to assist Registered Organisations to understand the new auditing requirements.

## 2. Background to the revised Auditing Standard

From 15 December 2016, the structure of the Auditor's Report changed as a result of revisions made to the Australian Auditing Standards (ASAs). The changes impact all auditors' reports prepared in accordance with the ASAs.

The purpose of the change is to:

- enhance the communicative value of the Auditor's Report;
- give prominence to the most important matters by re-ordering the content;
- enhance reporting on going concern matters (if applicable), and provide enhanced descriptions of the respective responsibilities of management and the auditor, in relation to going concern;
- provide an affirmative statement on auditor's independence and fulfilment of relevant ethical responsibilities;
- provide more information to users on the auditor's responsibilities, and the key features of an audit and;
- provide details of other information the auditor has received at the date of the Auditor's Report, and is expected to receive after the date of the Auditor's Report<sup>1</sup>.

## 3. Key changes included in the illustrative Auditor's Report

Description	Auditing standard ref.	Comments
Structure of the auditor's report	ASA 700.21-52	The form and structure of the audit report have been reorganised due to changes in the Australian Auditing Standards.
Basis for opinion	ASA 700.28c	Requires references in the audit report to the applicable ethical standards e.g. APES 110 <i>Code of Ethics for Professional Accountants</i> .
Other information	ASA 700.32 ASA 720	ASA 720 now requires that the auditor 'read and consider' if the Other Information (including but not limited to the Operating Report) is materially inconsistent with the financial statements, or the auditor's knowledge obtained in the audit.
Committee of Management's responsibilities for the preparation of the financial report	ASA 700.33-36	ASA 700.34b has been added to reflect changes made in ASA 570. The changes emphasise that it is management's responsibility for assessing whether the use of the going concern assumption is appropriate. The auditors' roles and responsibilities related to going concern have not changed.
Auditor's responsibilities for the audit of the financial report	ASA 700.37-40	These paragraphs have been expanded to clarify the detailed nature and scope of the auditor's existing responsibilities and procedures, and to make an explicit relationship of material misstatements to fraud or error.
Report on other legal and	ASA 700.43-45	This section is only applicable if there are other matters to report as required by other legislation.

<sup>1</sup> Adapted from 'Auditor Reporting FAQs' – Auditing and Assurance Standards Board - <http://www.auasb.gov.au/Publications/Auditor-Reporting-FAQs.aspx>

Description	Auditing standard ref.	Comments
regulatory requirements		<p>Under sections 257(6) and (7) of the <i>Fair Work (Registered Organisations) Act 2009</i> ('RO Act'), the auditor is required to report on any instances of non-compliance or deficiency or shortcoming with respect to financial record-keeping, and section 257(2) of the RO Act requires auditors to report on access restrictions to the financial records of the organisation.</p> <p>This section is not required if there are no matters to report.</p>

#### 4. Key changes not reflected in the illustrative Auditor's Report

Description	Auditing standard ref.	Comments
Key Audit Matters	ASA 700.30-31, A41 ASA 701	<p>ASA 701 provides additional disclosures for entities listed on a securities exchange to communicate key audit matters ('KAMs') in the auditor's report. KAMs are those matters that, in the auditor's judgement, are of most significance to the audit of the financial statements of the current financial period.</p> <p>At this point in time, the ROC does not require the inclusion of KAMs.</p>

The numbered references in the Illustrative Auditor's Report refer to the explanatory paragraphs in section 5 of this Guidance Note 'Illustrative Auditor's Notes'. The Illustrative Auditor's Report is also included in the 'Model Financial Statements' published on the Registered Organisations Commission's website.

<To be printed on Auditor letterhead>

## Independent Audit Report to the Members of <name of Reporting Unit>

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of <name of Reporting Unit> (the Reporting Unit), which comprises the statement of financial position<sup>2</sup> as at <balance date>, the statement of comprehensive income<sup>3</sup>, statement of changes in equity<sup>4</sup> and statement of cash flows<sup>5</sup> for the year ended <date>, notes to the financial statements, including a summary of significant accounting policies; and the Committee of Management<sup>6</sup> Statement.

In my opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of <name of Reporting Unit> as at <balance date>, and its financial performance and its cash flows for the year ended on that date in accordance with:

- a) the Australian Accounting Standards; and
- b) any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act).

I declare that management's use of the going concern basis in the preparation of the financial statements of the Reporting Unit is appropriate.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Reporting Unit in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Information Other than the Financial Report and Auditor's Report Thereon<sup>7</sup>

The Committee of Management is responsible for the other information. The other information obtained at the date of this auditor's report is in the Operating Report accompanying the financial report.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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<sup>2</sup> Refer to paragraph 9 in Section 5 Illustrative Auditor's Report Notes in this Guidance Note

<sup>3</sup> Ibid paragraph 9

<sup>4</sup> Ibid paragraph 9

<sup>5</sup> Ibid paragraph 9

<sup>6</sup> Ibid paragraph 10; note if this is changed to another descriptor all other references in the Report should be changed to the other descriptor

<sup>7</sup> Ibid paragraph 7

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of Committee of Management for the Financial Report**

The Committee of Management of the Reporting Unit is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management is responsible for assessing the Reporting Unit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the Reporting Unit or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Reporting Unit audit. I remain solely responsible for my audit opinion.

I communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I declare that I am an approved auditor, a member of [name of appropriate professional accounting body] and hold a current Public Practice Certificate.

## **[Report on Other Legal and Regulatory Requirements]<sup>8</sup>**

[In accordance with the requirements of section 257(7) of the RO Act, I am required to describe any deficiency, failure or shortcoming in respect of the matters referred to in section 252 and 257(2) of the RO Act.

My opinion on the financial report is not modified in respect of the following matter(s) because, in my opinion, it has been appropriately addressed by [Reporting Unit] and is not considered material in the context of the audit of the financial report as a whole:

[Example:

a) [Reporting Unit] failed to keep [name of other record] as required by section 252 of the RO Act for the period 1 July 20XX to 4 July 20XX inclusive.]]

## **[Report on the Recovery of Wages Activity financial report]<sup>9</sup>**

### **Opinion on the recovery of wages activity financial report**

The scope of my work extended to the recovery of wages activity and I have audited the recovery of wages activity financial report for the year ended <date>.

In my opinion, the financial statements and notes and recovery of wages activity financial report properly and fairly report all information required by the reporting guidelines of the General Manager, including:

- (a) any fees charged to, or reimbursements of expenses claimed from, members and others for recovery of wages activity; and
- (b) any donations or other contributions deducted from recovered money.

### **Responsibilities**

The Committee of Management is responsible for the preparation and presentation of the recovery of wages activity financial report in accordance with the reporting guidelines of the General Manager. My responsibility is to express an opinion on the recovery of wages activity financial report, based on my audit conducted in accordance with Australian Auditing Standards.

<Audit Firm Name>

<Name>

Partner

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<sup>8</sup> Ibid paragraph 11

<sup>9</sup> Ibid paragraph 11

<City>  
<Date>

Registration number (as registered by the RO Commissioner under the RO Act)<sup>10</sup>: <insert number>

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<sup>10</sup> Ibid paragraph 12



## 5. Illustrative Auditor's Report Notes

For the purpose of this illustrative Auditor's Report, the following circumstances are assumed:

1. The financial report is prepared by management of the Reporting Unit in accordance with Australian Accounting Standards and the RO Act.
2. The terms of the audit engagement reflect the description of management's responsibility for the financial report in *ASA 210 Agreeing the Terms of Audit Engagements*.
3. The auditor has concluded an unmodified opinion is appropriate based on the audit evidence obtained.
4. The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
5. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with *ASA 570 Going Concern*.
6. The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report*.
7. The section on 'Information Other than the Financial Report and Auditor's Report Thereon' is customised depending on the nature of the Other Information received and when this information was received. The template provided assumes that the nature of the Other Information is the Operating Report and that it was received on or before the date of the audit report. If there is Other Information that accompanies the financial report in addition to the Operating Report, or if the Operating Report or any additional Other Information was not received on or before the date of the audit report, please refer to the requirements stated in *ASA 720 The Auditor's Responsibilities Relating to Other Information* for example wording.
8. The subheading 'Report on Other Legal and Regulatory Requirements' is only applicable where the auditor includes 'Other reporting responsibilities' in accordance with *ASA 700 Forming an Opinion and Reporting on a Financial Report*. Please delete the 'Report on Other Legal and Regulatory Requirements' section if there is no deficiency, failure or shortcoming to report.
9. Please ensure that the financial statement descriptions used in the Auditor's Report agree with those used in the financial report, for example, 'balance sheet' or 'statement of financial position'.
10. Use of 'Committee of Management' in the model auditor's report represents those charged with governance for the registered organisation, and can be replaced with other descriptors as appropriate for the organisation, for example, 'Council of Management', 'Executive Committee', etc.
11. If the Registered Organisation has not undertaken any recovery of wages activity during the reporting period the auditor's report should state that fact with reference

to the Committee of Management Statement, and no opinion can be provided in relation to recovery of wages activity.

12. Auditors must be registered by the Registered Organisations Commissioner. Your registration number under the RO Act will commence with the letters 'AA'.

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This guidance note is not intended to be comprehensive. It is designed to assist with making an application to the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.