

# Far South West Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the period from 04 July 2018 to 30 June 2020

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*With a vision to transform collaboration between member  
councils, state agencies and other key stakeholders*



## General Purpose Financial Statements

for the period from 04 July 2018 to 30 June 2020

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| Contents   | Page     |
|--|----------|
| <b>1. Statement by Members of the Board and Management</b> | <b>3</b> |
| <b>2. Primary Financial Statements:</b>                    |          |
| Income Statement and Other Comprehensive Income            | 4        |
| Statement of Financial Position                            | 5        |
| Statement of Changes in Equity                             | 6        |
| Statement of Cash Flows                                    | 7        |
| <b>3. Notes to the Financial Statements</b>                | <b>8</b> |
| <b>4. Independent Auditor's Reports:</b>                   |          |
| On the Financial Statements (Sect 417 [2])                 | 25       |
| On the Financial Statements (Sect 417 [3])                 | 28       |

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### Overview

Far South West Joint Organisation is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

6 Miday Drive  
Buronga NSW 2738

Far South West Joint Organisation's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by the Far South West Joint Organisation,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of the Far South West Joint Organisation operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.fwjo.nsw.gov.au](http://www.fwjo.nsw.gov.au).

## General Purpose Financial Statements

for the period from 04 July 2018 to 30 June 2020

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

The attached General Purpose Financial Statements have been prepared in accordance with:

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

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

- present fairly the JO's operating result and financial position for the year
- accord with JO's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of the Board of JO made on 28 August 2020.



Mayor Darriea Turley AM  
**Board Chairperson**  
23 November 2020



Mr Bob Stewart  
**Voting Representative Board Member**  
23 November 2020



Mr Kristopher Kershaw  
**Responsible Accounting Officer**  
23 November 2020

## Income Statement and Other Comprehensive Income

for the period from 04 July 2018 to 30 June 2020

|  |       | Period<br>04/07/18 to<br>30/06/20 |
|--|-------|-----------------------------------|
| \$   | Notes |                                   |
| <b>Income from continuing operations</b>                 |       |                                   |
| Grants and contributions provided for operating purposes | 2     | 6,150,000                         |
| Interest and investment income                           | 3     | 32,733                            |
| <b>Total income from continuing operations</b>           |       | <u>6,182,733</u>                  |
| <b>Expenses from continuing operations</b>               |       |                                   |
| Employee benefits and on-costs                           | 4a    | 264,728                           |
| Administrative expenses                                  | 4b    | 486,128                           |
| Depreciation and amortisation                            |       | 11,025                            |
| <b>Total expenses from continuing operations</b>         |       | <u>761,881</u>                    |
| <b>Operating result from continuing operations</b>       |       | <u>5,420,852</u>                  |
| Gain on transfer of assets from former entities          |       | —                                 |
| <b>Net operating result for the period</b>               |       | <u>5,420,852</u>                  |
| <b>Total comprehensive income for the period</b>         |       | <u>5,420,852</u>                  |

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

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

## Statement of Financial Position

as at 30 June 2020

| \$                               | Notes | 2020             |
|----------------------------------|-------|------------------|
| <b>ASSETS</b>                    |       |                  |
| <b>Current assets</b>            |       |                  |
| Cash and cash equivalents        | 5(a)  | 5,371,307        |
| Receivables                      | 6     | 47,449           |
| <b>Total current assets</b>      |       | <b>5,418,756</b> |
| <b>Non-current assets</b>        |       |                  |
| Property, plant and equipment    | 7     | 35,459           |
| <b>Total non-current assets</b>  |       | <b>35,459</b>    |
| <b>Total assets</b>              |       | <b>5,454,215</b> |
| <b>LIABILITIES</b>               |       |                  |
| <b>Current liabilities</b>       |       |                  |
| Payables                         | 9     | 24,970           |
| Provisions                       | 10    | 8,393            |
| <b>Total current liabilities</b> |       | <b>33,363</b>    |
| <b>Total liabilities</b>         |       | <b>33,363</b>    |
| <b>Net assets</b>                |       | <b>5,420,852</b> |
| <b>EQUITY</b>                    |       |                  |
| Accumulated surplus              | 11    | 5,420,852        |
| <b>Council equity interest</b>   |       | <b>5,420,852</b> |
| <b>Total equity</b>              |       | <b>5,420,852</b> |

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

## Statement of Changes in Equity

for the period from 04 July 2018 to 30 June 2020

|  | as at 30/06/20      |                          |                  |
|--|---------------------|--------------------------|------------------|
|  | Accumulated surplus | Other reserves (specify) | Total equity     |
| \$   |                     |                          |                  |
| Opening balance  | –                   | –                        | –                |
| Net operating result for the period                    | 5,420,852           | –                        | 5,420,852        |
| <b>Total comprehensive income</b>                      | <b>5,420,852</b>    | <b>–</b>                 | <b>5,420,852</b> |
| <b>Equity – balance at end of the reporting period</b> | <b>5,420,852</b>    | <b>–</b>                 | <b>5,420,852</b> |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

for the period from 04 July 2018 to 30 June 2020

|   |       | Period<br>04/07/18 to<br>30/06/20 |
|---|-------|-----------------------------------|
| \$  | Notes |                                   |
| <b>Cash flows from operating activities</b>                 |       |                                   |
| <b>Receipts:</b>  |       |                                   |
| Investment and interest revenue received                    |       | 31,233                            |
| Grants  |       | 6,750,000                         |
| Other   |       | 1,827                             |
| <b>Payments:</b>  |       |                                   |
| Employee benefits and on-costs                              |       | (258,473)                         |
| Administrative expenses                                     |       | (1,106,796)                       |
| <b>Net cash provided (or used in) operating activities</b>  | 12b   | <u>5,417,791</u>                  |
| <b>Cash flows from investing activities</b>                 |       |                                   |
| <b>Payments:</b>  |       |                                   |
| Purchase of infrastructure, property, plant and equipment   |       | (46,484)                          |
| <b>Net cash provided (or used in) investing activities</b>  |       | <u>(46,484)</u>                   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <u>5,371,307</u>                  |
| Plus: cash and cash equivalents – beginning of period       | 12a   | –                                 |
| <b>Cash and cash equivalents – end of the period</b>        | 12a   | <u>5,371,307</u>                  |

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

# Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Contents of the Notes accompanying the General Purpose Financial Statements

| Note | Details   | Page |
|------|---|------|
| 1    | Basis of preparation  | 9    |
| 2    | Revenue from continuing operations  | 10   |
| 3    | Interest and investment income  | 11   |
| 4    | Expenses from continuing operations   | 12   |
| 5(a) | Cash and cash equivalents   | 14   |
| 5(b) | Restricted cash, cash equivalents and investments   | 14   |
| 6    | Receivables   | 15   |
| 7    | Property, plant and equipment   | 16   |
| 8    | Leases  | n/a  |
| 9    | Payables and borrowings   | 18   |
| 10   | Provisions  | 19   |
| 11   | Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 20   |
| 12   | Statement of cash flow information  | 21   |
| 13   | Financial risk management   | 22   |
| 14   | Fair Value Measurement  | 23   |
| 15   | Related party disclosures   | 24   |
| 16   | Events occurring after the reporting date   | 24   |



## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

### Note 1. Basis of preparation

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The financial statements include the results for the period 4 July 2019 to 30 June 2020.

These financial statements were authorised for issue by the Board of the Joint Organisation on 24/11/2020. The Board has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Local Government Act 1993 (NSW)* and Regulations, and the Joint Organisation Code of Accounting Practice and Financial Reporting.

JO is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

#### New and amended standards adopted by JO

During the period the JO adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on JO's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 11.

#### (a) Historical cost convention

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

#### (b) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the JO's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the JO and that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

JO makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 2. Revenue from continuing operations

|   |          | <b>Operating<br/>Period<br/>04/07/18 to<br/>30/06/20</b> | <b>Capital<br/>Period<br/>04/07/18 to<br/>30/06/20</b> |
|---|----------|--|--|
| \$  | AASB     |  |  |
| <b>Grants</b>   |          |  |  |
| Office of Local Government (OLG) joint organisation establishment funding | 1058 (1) | 500,000  | —  |
| Capacity Building Destination Management Plan                             | 1058 (1) | 150,000  | —  |
| Tourism Infrastructure Project Planning                                   | 1058 (1) | 5,000,000  | —  |
| NSW Public Works Business Case  | 1058 (1) | 250,000  | —  |
| Western Roads Plan Funding  | 1058 (1) | 250,000  | —  |
| <b>Total grants</b>   |          | <b>6,150,000</b>   | <b>—</b>   |
| <b>Grant revenue is attributable to:</b>                                  |          |  |  |
| — State funding   |          | 6,150,000  | —  |
|   |          | <b>6,150,000</b>   | <b>—</b>   |

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”

|  | <b>Period<br/>04/07/18 to<br/>30/06/20</b> |
|--|--|
| \$   |  |
| <b>Operating grants</b>  |  |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period | 5,291,962                                  |
| <b>Unexpended and held as externally restricted assets (operating grants)</b>                    | <b>5,291,962</b>                           |

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 3. Interest and investment income

|  | Period<br>04/07/18 to<br>30/06/20 |
|--|-----------------------------------|
| \$   |                                   |
| <b>Interest on financial assets measured at amortised cost</b> |                                   |
| – Cash and investments   | 32,733                            |
| <b>Total Interest and investment income</b>                    | <b>32,733</b>                     |

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

|                                      |        |
|--------------------------------------|--------|
| General Council cash and investments | 32,733 |
|--------------------------------------|--------|

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

**Accounting policy for income**

There are no member Council contributions to the period ending 30 June 2020.

**Accounting policies for 2020 only****Grant revenue***Grant income under AASB 15*

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

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

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

*Grant income under AASB 1058*

Assets arising from grants in the scope of AASB 1058 is recognised at the asset's fair value when the asset is received. The JO considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

**Capital grants**

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

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

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

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 4. Expenses from continuing operations

|   | Period<br>04/07/18 to<br>30/06/20 |
|---|-----------------------------------|
| \$  |                                   |
| <b>(a) Employee benefits and on-costs</b>   |                                   |
| Salaries and wages                          | 204,760                           |
| Superannuation                              | 19,384                            |
| Workers' compensation insurance             | 1,948                             |
| Fringe benefit tax (FBT)                    | 5,544                             |
| Recruitment expense                         | 28,367                            |
| Conference Attendance                       | 4,725                             |
| <b>Total employee costs</b>                 | <b>264,728</b>                    |
| <b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b> | <b><u>264,728</u></b>             |

|  |   |
|--|---|
| Number of 'full-time equivalent' employees (FTE) at year end                   | 1 |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 1 |

|   | Period<br>04/07/18 to<br>30/06/20 |
|---|-----------------------------------|
| \$  |                                   |
| <b>(b) Administrative expenses</b>          |                                   |
| Contractor and consultancy costs            |                                   |
| – JO Establishment Costs                    | 39,231                            |
| – Administration Support                    | 8,907                             |
| – Strategic Regional Planning               | 8,170                             |
| – Other                                     | 3,821                             |
| Auditors remuneration <sup>1</sup>          | 18,070                            |
| IT expenses                                 | 41,930                            |
| Expenses from short-term leases (2020 only) | 13,767                            |
| Payments to Member Councils                 | 285,000                           |
| Insurance                                   | 2,754                             |
| Subscriptions                               | 11,625                            |
| Telephone and internet                      | 5,915                             |
| Training                                    | 59                                |
| Travel                                      | 41,282                            |
| Bank fees                                   | 104                               |
| Board meeting expenses                      | 894                               |
| Office expense                              | 3,059                             |
| Other                                       | 1,540                             |
| <b><u>TOTAL ADMINISTRATIVE EXPENSES</u></b> | <b><u>486,128</u></b>             |

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 4. Expenses from continuing operations (continued)

|  | Period<br>04/07/18 to<br>30/06/20 |
|--|-----------------------------------|
| \$   |                                   |
| <b>1. Auditor remuneration</b>   |                                   |
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms |                                   |
| <b>Auditors of the Council - NSW Auditor-General:</b>  |                                   |
| <b>(i) Audit and other assurance services</b>  |                                   |
| Audit and review of financial statements   | 18,070                            |
| <b>Remuneration for audit and other assurance services</b>   | <u>18,070</u>                     |
| <b>Total Auditor-General remuneration</b>  | <u>18,070</u>                     |
| <b>Total Auditor remuneration</b>  | <u>18,070</u>                     |

**Accounting policy for expenses**

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

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

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

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

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

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

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 5(a). Cash and cash equivalents

| \$                                     | 2020             |
|--|------------------|
| <b>Cash and cash equivalents</b>       |                  |
| Cash on hand and at bank               | 4,863,790        |
| Cash-equivalent assets                 |                  |
| – Short-term deposits                  | 507,517          |
| <b>Total cash and cash equivalents</b> | <b>5,371,307</b> |

**Accounting policy for cash and cash equivalents**

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

## Note 5(b). Restricted cash, cash equivalents and investments

|   | 2020<br>Current  | 2020<br>Non-current |
|---|------------------|---------------------|
| \$  |                  |                     |
| <b>Total cash, cash equivalents and investments</b> | <b>5,371,307</b> | <b>–</b>            |
| <b>attributable to:</b>                             |                  |                     |
| External restrictions (refer below)                 | 5,291,962        | –                   |
| Unrestricted  | 79,345           | –                   |
|   | <b>5,371,307</b> | <b>–</b>            |

| \$  | 2020             |
|---|------------------|
| <b>Details of restrictions</b>  |                  |
| <b>External restrictions – other</b>                                      |                  |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 5,291,962        |
| <b>External restrictions – other</b>                                      | <b>5,291,962</b> |
| <b>Total external restrictions</b>  | <b>5,291,962</b> |
| <b>TOTAL RESTRICTIONS</b>   | <b>5,291,962</b> |

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

### Note 6. Receivables

|                                     | 2020<br>Current      | 2020<br>Non-current |
|-------------------------------------|----------------------|---------------------|
| \$                                  |                      |                     |
| <b>Purpose</b>                      |                      |                     |
| Accrued revenues                    |                      |                     |
| – Interest on investments           | 1,500                | –                   |
| Net GST receivable                  | 25,161               | –                   |
| Other debtors                       | 20,788               | –                   |
| <b>Total</b>                        | <b>47,449</b>        | <b>–</b>            |
| <b><u>TOTAL NET RECEIVABLES</u></b> | <b><u>47,449</u></b> | <b><u>–</u></b>     |

#### Accounting policy for receivables

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

#### Impairment

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

The JO applies the simplified approach for receivables in providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

Notes to the Financial Statements  
for the period from 04 July 2018 to 30 June 2020

Note 7. Property, plant and equipment

|                               | Asset movements during the reporting period |                     |                      |                      |                       |                          |                     |
|-------------------------------|---|---------------------|----------------------|----------------------|-----------------------|--------------------------|---------------------|
|                               | as at 04/07/18                              |                     | as at 30/06/20       |                      |                       |                          |                     |
|                               | Gross carrying amount                       | Net carrying amount | Additions new assets | Depreciation expense | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| \$                            |   |                     |                      |                      |                       |                          |                     |
| Plant and equipment           | —   | —                   | 39,504               | (8,259)              | 39,504                | (8,259)                  | 31,245              |
| Office equipment              | —   | —                   | 5,298                | (2,244)              | 5,298                 | (2,244)                  | 3,054               |
| Furniture and fittings        | —   | —                   | 1,682                | (522)                | 1,682                 | (522)                    | 1,160               |
| Property, plant and equipment | —   | —                   | 46,484               | (11,025)             | 46,484                | (11,025)                 | 35,459              |



## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

### Note 7. Property, plant and equipment (continued)

---

#### Accounting policy for property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the JO and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement and Other Comprehensive Income during the financial period in which they are incurred.

When property, plant and equipment are acquired by the JO for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| <b>Plant and equipment</b> | <b>Years</b> |
|----------------------------|--------------|
| Office equipment           | 3 to 5       |
| Office furniture           | 5 to 20      |
| Computer equipment         | 3 to 4       |
| Vehicles                   | 3            |

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

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

### Note 9. Payables and borrowings

|   | 2020<br>Current      | 2020<br>Non-current |
|---|----------------------|---------------------|
| \$  |                      |                     |
| <b>Payables</b>                             |                      |                     |
| Trade payables – operating expenditure      | 18,809               | –                   |
| Accrued expenses:                           |                      |                     |
| – Salaries and wages                        | 5,620                | –                   |
| – Other expenditure accruals                | 541                  | –                   |
| <b>Total payables</b>                       | <b>24,970</b>        | <b>–</b>            |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b> | <b><u>24,970</u></b> | <b><u>–</u></b>     |

|  |              |
|--|--------------|
| \$   | 2020         |
| <b>Financing arrangements</b>  |              |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |              |
| Credit cards/purchase cards  | 5,000        |
| <b>Total financing arrangements</b>  | <b>5,000</b> |
| <b>Undrawn facilities as at balance date:</b>  |              |
| – Credit cards/purchase cards  | 5,000        |
| <b>Total undrawn financing arrangements</b>  | <b>5,000</b> |

#### Accounting policy for payables and borrowings

JO measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the JO comprise trade payables and other payables.

#### Payables

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

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 10. Provisions

|  | 2020<br>Current     | 2020<br>Non-current |
|--|---------------------|---------------------|
| \$   |                     |                     |
| <b>Provisions</b>                              |                     |                     |
| <b>Employee benefits</b>                       |                     |                     |
| Annual leave                                   | 8,393               | —                   |
| <b>Sub-total – aggregate employee benefits</b> | <b>8,393</b>        | <b>—</b>            |
| <b><u>TOTAL PROVISIONS</u></b>                 | <b><u>8,393</u></b> | <b><u>—</u></b>     |

## Description of and movements in provisions

|  | ELE provisions |              |
|--|----------------|--------------|
| \$   | Annual leave   | Total        |
| Additional provisions                        | 16,935         | 16,935       |
| Amounts used (payments)                      | (8,542)        | (8,542)      |
| <b>Total ELE provisions at end of period</b> | <b>8,393</b>   | <b>8,393</b> |

## Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## Employee benefits

## Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

### Note 11. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### Adoption of new accounting standards (not-retrospective)

The JO has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases*.

There are no adjustments on adoption of AASB 15 and AASB 1058.

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

#### (i) AASB 15 and AASB 1058

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

- JO has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncement.

#### Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 JO would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

#### Grants – operating

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

#### Grants – capital

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

#### (ii) AASB 16 Leases

##### JO as a lessee

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

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

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 12. Statement of cash flow information

| \$  | Notes | 2020             |
|---|-------|------------------|
| <b>(a) Reconciliation of cash and cash equivalents</b>  |       |                  |
| Total cash and cash equivalents per Statement of Financial Position                           | 5(a)  | 5,371,307        |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>5,371,307</b> |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |                  |
| <b>Net operating result from Income Statement</b>   |       | 5,420,852        |
| <b>Adjust for non-cash items:</b>   |       |                  |
| Depreciation and amortisation   |       | 11,025           |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |                  |
| Decrease/(increase) in receivables  |       | (47,449)         |
| Increase/(decrease) in payables   |       | 18,809           |
| Increase/(decrease) in other accrued expenses payable   |       | 6,161            |
| Increase/(decrease) in provision for employee benefits  |       | 8,393            |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>5,417,791</b> |

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 13. Financial risk management

## Risk management

JO's activities expose it to a variety of financial risks including **(1)** market risk, **(2)** credit risk and **(3)** liquidity risk.

Financial risk management is carried out by JO's finance section under policies approved by the JO Board.

The fair value of JO's financial assets and financial liabilities approximates their carrying amount.

## (a) Market risk – price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

## (b) Credit risk

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

| \$                     | Not yet<br>overdue | 0 - 30 days<br>overdue | 31 - 60 days<br>overdue | 61 - 90 days<br>overdue | > 91 days<br>overdue | Total    |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|----------|
| Gross carrying amount  | 47,449             | —                      | —                       | —                       | —                    | 47,449   |
| Expected loss rate (%) | 0.00%              | 0.00%                  | 0.00%                   | 0.00%                   | 0.00%                | 0.00%    |
| <b>ECL provision</b>   | <b>—</b>           | <b>—</b>               | <b>—</b>                | <b>—</b>                | <b>—</b>             | <b>—</b> |

## (c) Liquidity risk

Payables are subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended as required.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

| \$                                 | Weighted<br>average<br>interest rate | Subject<br>to no<br>maturity | ≤ 1 Year      | payable in:<br>1 - 5 Years | > 5 Years | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|--------------------------------------|------------------------------|---------------|----------------------------|-----------|------------------------|------------------------------|
| Trade/other payables               | 0.00%                                | —                            | 24,970        | —                          | —         | 24,970                 | 24,970                       |
| <b>Total financial liabilities</b> |                                      | <b>—</b>                     | <b>24,970</b> | <b>—</b>                   | <b>—</b>  | <b>24,970</b>          | <b>24,970</b>                |

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 14. Fair Value Measurement

## (1) Fair value measurements using significant unobservable inputs (level 3)

**a. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

| \$                            | <b>Fair value<br/>(30/6/20)</b> |
|-------------------------------|---------------------------------|
| <b>Financial assets</b>       |                                 |
| Plant and equipment           | 31,245                          |
| Office equipment              | 3,054                           |
| Furniture and fittings        | 1,160                           |
| <b>Total financial assets</b> | <b>35,459</b>                   |

**b. The valuation process for level 3 fair value measurements**

The FWJO carries level 3 assets at fair value. No valuation process has been undertaken for the 2019/20 financial year.

## (2) Highest and best use

All of the FWJO's non-financial assets are considered as being utilised for their highest and best use.

## Notes to the Financial Statements

for the period from 04 July 2018 to 30 June 2020

## Note 15. Related party disclosures

## (a) Key management personnel

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

The aggregate amount of KMP compensation included in the Income Statement is:

| \$                   | 2020           |
|----------------------|----------------|
| <b>Compensation:</b> |                |
| Short-term benefits  | 229,688        |
| <b>Total</b>         | <b>229,688</b> |

## (b) Other transactions with KMP and their related parties

JO has determined that transactions at arm's length between KMP and JO as part of JO delivering a public service objective (e.g. access to library or JO swimming pool by KMP) will not be disclosed.

| Nature of the transaction                   | Ref | Value of transactions during year | Outstanding balance (incl. loans and commitments) |
|---|-----|-----------------------------------|---|
| \$  |     |                                   |   |
| Contract services prior to employment of EO | 1   | 42,494                            | –   |

<sup>1</sup> South Pacific Wave Pty Ltd provided contractor services of Mark Forbes until he became an employee of the Far West Joint Organisation.

## Note 16. Events occurring after the reporting date

JO is unaware of any material or significant 'non-adjusting events' that should be disclosed.





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Far South West Joint Organisation

To the Board of the Far South West Joint Organisation

### Opinion

I have audited the accompanying financial statements of Far South West Joint Organisation (the Joint Organisation), which comprise the Statement by Members of the Board and Management, the Income Statement and Other Comprehensive Income for the period 4 July 2018 to 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Joint Organisation's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Joint Organisation's accounting records
  - present fairly, in all material respects, the financial position of the Joint Organisation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Joint Organisation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of joint organisations
- precluding the Auditor-General from providing non-audit services.

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

## **The Board's Responsibilities for the Financial Statements**

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards— Reduced Disclosure Requirements and the *Local Government Act 1993*, and for such internal control as the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Joint Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Joint Organisation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

30 November 2020  
SYDNEY



Cr Darriea Turley  
Chairperson  
Far South West Joint Organisation  
PO Box 81  
Wentworth NSW 2648

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2027688/1865

30 November 2020

Dear Chairperson

**Report on the Conduct of the Audit  
for period 4 July 2018 to 30 June 2020  
Far South West Joint Organisation**

The Far South West Joint Organisation (the Joint Organisation) was formed on 4 July 2018 by the following councils (member councils):

- Balranald Shire Council
- Broken Hill City Council
- Central Darling Shire Council; and
- Wentworth Shire Council.

I have audited the general purpose financial statements (GPFS) of the Joint Organisation for the period 4 July 2018 to 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Joint Organisation for the period 4 July 2018 to 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## **PERFORMANCE**

### **Net operating result**

The Joint Organisation's net operating result for the period 4 July 2018 to 30 June 2020 was \$5,420,852.

The Joint Organisation's primary income source during the period was from operating grants from the NSW Government of \$6,150,000 which contributed to 99 per cent of the Joint Organisation's income from continuing operations of \$6,182,733. This included establishment funding of \$500,000, Tourism Infrastructure Funding of \$5,000,000, and grants for Capacity Building, Public Works Business Case and Western Roads Plan.

The Joint Organisation's total operating expenses from continuing operations for the period was \$761,881 which primarily consisted of employee benefits and on-costs of \$264,728 and administration expenses of \$486,128.

## **Financial position**

At 30 June 2020, the Joint Organisation had total assets of \$5,454,215 and net assets of \$5,420,852. The Joint Organisation's main asset was cash of \$5,371,307.

## **OTHER MATTERS**

### **Impact of new accounting standards**

#### **AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'**

The Joint Organisation adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a joint organisation's financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribed how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a joint organisation's financial statements, particularly for grant income.

There was no impact on the financial statements on adoption of AASB 15 and AASB 1058.

#### **AASB 16 'Leases'**

The Joint Organisation adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

There was no impact on the financial statements on adoption of AASB 16.

### **Legislative compliance**

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Joint Organisation's accounting records or financial statements. The Joint Organisation's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Manuel Moncada  
Delegate of the Auditor-General for New South Wales

cc: Jim Betts, Secretary of the Department of Planning, Industry and Environment