

Murrumbidgee Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Murrumbidgee Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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 District and the consolidated entity 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' (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 public sector agencies
- 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.

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ae). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines 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 Chief Executive is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

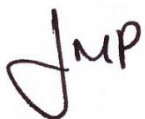
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- 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.



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

6 September 2019
SYDNEY

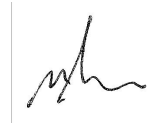
**Murrumbidgee Local Health District
Certification of the Financial Statements
for the year ended 30 June 2019**

We state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Murrumbidgee Local Health District for the year ended 30 June 2019 have been prepared in accordance with:
 - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)* , the *Public Finance and Audit Regulation 2015* ; and
 - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Murrumbidgee Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Jill Ludford
Chief Executive
5 September 2019



Maurice Ahern
Director Finance and Performance
5 September 2019

Murrumbidgee Local Health District
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018	Notes	2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
Continuing Operations						
Expenses excluding losses						
-	-	-				
349,072	335,624	327,684		369,232	355,895	340,063
46,055	45,447	45,454		-	-	-
209,260	206,008	204,057		46,055	45,447	45,454
23,922	23,878	28,957		209,260	206,008	204,057
2,507	2,234	1,834		23,922	23,878	28,957
35	-	12		2,507	2,234	1,834
16,036	15,795	15,898		35	-	12
646,887	628,986	623,896		16,036	15,795	15,898
				667,047	649,257	636,275
Revenue						
513,757	493,512	478,075		513,757	493,512	478,075
40,469	40,954	28,023		40,469	40,954	28,023
-	-	-				
89,125	93,413	91,095		20,160	20,271	12,379
238	506	228		89,125	93,413	91,095
39,128	38,955	28,617		238	506	228
3,375	2,781	2,984		39,128	38,955	28,617
686,092	670,121	629,022		3,375	2,781	2,984
				706,252	690,392	641,401
39,205	41,135	5,126		39,205	41,135	5,126
(22)	-	896				
(573)	(1,191)	-		(22)	-	896
-	-	(333)		(573)	(1,191)	-
38,610	39,944	5,689		-	-	(333)
				38,610	39,944	5,689
Other Comprehensive Income						
<i>Items that will not be reclassified to Net Result in subsequent periods</i>						
13,721	-	-				
13,721	-	-		13,721	-	-
52,331	39,944	5,689		13,721	-	-
				52,331	39,944	5,689

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Financial Position as at 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
3,065	1,185	2,200		3,065	1,185	2,200
13,528	16,103	16,102	16	13,528	16,103	16,102
1,490	1,465	1,465	17	1,490	1,465	1,465
3,500	3,500	5,000	18	3,500	3,500	5,000
21,583	22,253	24,767	19	21,583	22,253	24,767
Total Current Assets						
Non-Current Assets						
			20			
539,880	522,701	483,544		539,880	522,701	483,544
29,061	35,756	30,623		29,061	35,756	30,623
6,976	6,314	6,372		6,976	6,314	6,372
2,264	2,449	2,449		2,264	2,449	2,449
578,181	567,220	522,988		578,181	567,220	522,988
578,181	567,220	522,988		578,181	567,220	522,988
599,764	589,473	547,755		599,764	589,473	547,755
LIABILITIES						
Current Liabilities						
41,594	44,681	43,950	23	41,594	44,681	43,950
190	165	182	24	190	165	182
43,331	40,944	39,794	25	43,331	40,944	39,794
43	267	267	26	43	267	267
85,158	86,057	84,193		85,158	86,057	84,193
Total Current Liabilities						
Non-Current Liabilities						
771	771	961	24	771	771	961
670	670	570	25	670	670	570
1,441	1,441	1,531		1,441	1,441	1,531
Total Non-Current Liabilities						
86,599	87,498	85,724		86,599	87,498	85,724
Total Liabilities						
513,165	501,975	462,031		513,165	501,975	462,031
Net Assets						
EQUITY						
24,395	11,185	11,185		24,395	11,185	11,185
488,770	490,790	450,846		488,770	490,790	450,846
513,165	501,975	462,031		513,165	501,975	462,031
Total Equity						

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		450,846	11,185	462,031
Changes in Accounting Policy	1(a)(i)	184	-	184
Restated balance at 1 July 2018		451,030	11,185	462,215
Net Result for the Year		38,610	-	38,610
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	-	13,721	13,721
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		511	(511)	-
Total Other Comprehensive Income		511	13,210	13,721
Total Comprehensive Income for the Year		39,121	13,210	52,331
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	36	(1,381)	-	(1,381)
Balance at 30 June 2019		488,770	24,395	513,165
Balance at 1 July 2017		443,274	13,068	456,342
Net Result for the Year		5,689	-	5,689
Other Comprehensive Income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,883	(1,883)	-
Total Other Comprehensive Income		1,883	(1,883)	-
Total Comprehensive Income for the Year		7,572	(1,883)	5,689
Balance at 30 June 2018		450,846	11,185	462,031

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Cash Flows for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget	Actual	Notes	Actual	Adjusted Budget	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-	-	-		(349,935)	(339,790)	(328,867)
(281,286)	(273,223)	(270,713)		(281,286)	(273,223)	(270,713)
(20,248)	(19,734)	(19,491)		(20,248)	(19,734)	(19,491)
(35)	-	(12)		(35)	-	(12)
(349,935)	(339,790)	(328,867)		-	-	-
(651,504)	(632,747)	(619,083)		(651,504)	(632,747)	(619,083)
Receipts						
513,757	493,512	478,075		513,757	493,512	478,075
40,469	40,954	28,023		40,469	40,954	28,023
5,673	5,673	5,472		5,673	5,673	5,472
89,325	92,761	89,880		89,325	92,761	89,880
238	506	228		238	506	228
40,019	39,846	29,468		40,019	39,846	29,468
28,781	25,297	26,112		28,781	25,297	26,112
718,262	698,549	657,258		718,262	698,549	657,258
66,758	65,802	38,175		66,758	65,802	38,175
NET CASH FLOWS FROM OPERATING ACTIVITIES						
30						
CASH FLOWS FROM INVESTING ACTIVITIES						
174	-	2,636		174	-	2,636
(67,385)	(68,109)	(40,921)		(67,385)	(68,109)	(40,921)
1,500	1,500	(5,000)		1,500	1,500	(5,000)
(65,711)	(66,609)	(43,285)		(65,711)	(66,609)	(43,285)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
-	-	820		-	-	820
(182)	(208)	(75)		(182)	(208)	(75)
(182)	(208)	745		(182)	(208)	745
NET CASH FLOWS FROM FINANCING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
865	(1,015)	(4,365)		865	(1,015)	(4,365)
2,200	2,200	6,565		2,200	2,200	6,565
3,065	1,185	2,200		3,065	1,185	2,200
CLOSING CASH AND CASH EQUIVALENTS						
16						
16						

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a) The Reporting Entity

The Murrumbidgee Local Health District (the MLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The MLHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The MLHD, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Murrumbidgee Local Health District Special Purpose Service Entity, which was established as a Division of the MLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the MLHD to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 5 September 2019.

b) Basis of Preparation

The MLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

The financial statements of the MLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the Murrumbidgee Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the MLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the MLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The MLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * The MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the MLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the MLHD's presentation and functional currency.

c) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

d) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.2% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 18.1%). The MLHD has assessed the actuarial advice based on the MLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

ii) Long Service Leave and Superannuation

The MLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The MLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the MLHD as shown in Note 25.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

Other provisions are recognised when the MLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

The MLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) Payments to Affiliated Health Organisations

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

i) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

j) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the MLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the MLHD and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The MLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the MLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Forgiveness of Liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by the MLHD based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the MLHD use in the advancement of the MLHD or individuals within it.

Refer to Note 9 (b) for further details.

Use of Outside Facilities

The MLHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the MLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the 'Net Result' on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Mercy Health Service have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The MLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Other Income

Other income includes lease income from operating leases where the MLHD is the lessor. Income is recognised on a straight-line basis over the lease term.

k) Accounting for the Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- * amount of GST incurred by the MLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

l) Interstate Patient Flows

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation received from the immediate parent.

m) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of the MLHD and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to the MLHD. The costs are then accordingly reflected in The MLHD financial statements. The MLHD acquires most assets in this manner.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Refer to Note 1(ab) for assets transferred as a result of equity transfer.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by the MLHD are deemed to be controlled by the MLHD and are reflected as such in the financial statements.

n) Capitalisation Thresholds

Property, plant and equipment costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

o) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the MLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Leasehold Improvements	10.0%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%

'Infrastructure Systems' means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

p) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participant's that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 21 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The MLHD has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

q) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 Impairment of Assets modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

r) Restoration Costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

s) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

t) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

As a lessee:

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

As a lessor:

The MLHD, as the lessor, classifies its leases as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

u) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Obsolete items are disposed of in accordance with instructions issued by the NSW Ministry of Health.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

v) Receivables and Other Financial Assets

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

The MLHD holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses).

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the MLHD's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the MLHD's net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

w) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

The MLHD recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the MLHD expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, the MLHD applies a simplified approach in calculating ECLs. The MLHD recognises a loss allowance based on lifetime ECLs at each reporting date. The MLHD has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Other Financial Assets

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the MLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The MLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence the MLHD measures the loss allowance for term deposits at an amount equal to 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The MLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

For lease receivables, the MLHD applies the simplified approach permitted by AASB 9, where the loss allowance is based on lifetime ECLs.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the MLHD will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables, the MLHD first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

x) De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- * the MLHD has transferred substantially all the risks and rewards of the asset; or
- * the MLHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When the MLHD has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the MLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the MLHD continuing involvement in the asset. In that case, the MLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

y) Payables

These amounts represent liabilities for goods and services provided to the MLHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the MLHD.

z) Borrowings

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1x) for derecognition policy.

aa) Fair Value Hierarchy

A number of the MLHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the MLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- * Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- * Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- * Level 3 – inputs that are not based on observable market data (unobservable inputs).

The MLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 21 and Note 37 for further disclosures regarding fair value measurements of non-financial and financial assets.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

ab) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the MLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the MLHD does not recognise that asset.

ac) Equity and Reserves

(i) Accumulated Funds

The category 'accumulated funds' includes all current and prior period retained funds.

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the MLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(p).

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

ad) Trust Funds

The MLHD receives monies in a trustee capacity for various trusts as set out in Note 28.

As the MLHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the MLHD's own objectives, these funds are not recognised in the financial statements.

ae) Adjusted Budget Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The MLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the MLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the MLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as 'Unaudited'.

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

(af) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The MLHD has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The MLHD applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018
		\$'000
Assets		
Receivables	17	184
Total Adjustment on equity		184
Accumulated funds		(184)

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), the MLHD's management has assessed which business models apply to the financial assets by the MLHD and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the MLHD.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds		Total change in equity
		\$'000		\$'000
Closing balance 30 June 2018 - AASB 139		450,846		450,846
Recognition of AASB 9 expected credit losses	17	184		184
Total impact		184		184
Opening balance 1 July 2018 - AASB 9		451,030		451,030

The MLHD continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the MLHD's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- The MLHD has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the MLHD's financial liabilities.

In summary, upon the adoption of AASB 9, the MLHD had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		Difference
	AASB 139	AASB 9	Original	New	
AASB 139 measurement category			\$'000	\$'000	\$'000
Receivables	L&R	Amortised cost	16,102	16,286	184
Term deposits	L&R	Amortised cost	5,000	5,000	-

b) Impairment

The adoption of AASB 9 has changed the MLHD's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the MLHD to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

	Allowance for impairment under AASB 139 as at 30 June 2018	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(295)	184	(111)

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the MLHD have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 16 Leases replaces all existing lease requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right of use asset rather than operating lease expense.

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated a modified retrospective application of this accounting standard.

AASB 15 Revenue from Contracts with Customers (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 Revenue from Contracts with Customers establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Murrumbidgee Local Health District
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1. Statement of Significant Accounting Policies

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- * implementation of an IT solution for lease management and accounting
- * comprehensive review and capture of lease information
- * review of accounting policies and processes surrounding leases and revenue.

Potential Impact on the MLHD's Financial Statements

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by the MLHD so far and the known and expected impacts:

Leases

The MLHD has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- * The total assets and liabilities on the Statement of Financial Position will increase by approximately \$18.69 million on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- * Interest expenses will increase by approximately \$0.43 million in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life. This effect may be partially mitigated due to the number of leases held by the MLHD at different stages of their lease terms.
- * Depreciation expense will be booked on right of use assets, which will be on a straight line basis. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$3.59 million.
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$3.62 million in the 2019-2020 financial year.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- * The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

MLHD in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- * Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- * Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress. The MLHD expects the following impacts from the preliminary work performed so far:

- * No significant impact expected on the MLHD.

Application Date

The MLHD plans to adopt the new accounting standards on the required effective date in line with the NSW Treasury's instructions.

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	316,533	297,505
-	-	Superannuation - Defined Benefit Plans	2,630	2,875
-	-	Superannuation - Defined Contribution Plans	27,411	25,544
-	-	Long Service Leave	18,780	10,534
-	-	Redundancies	185	483
-	-	Workers' Compensation Insurance	3,662	3,091
-	-	Fringe Benefits Tax	31	31
-	-		369,232	340,063
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Employee Related Expenses Capitalised - Land and Buildings	663	188
-	-		663	188
		3. Personnel Services		
316,533	297,505	Salaries and Wages (including Annual Leave and ADO)	-	-
27,411	25,544	Superannuation - Defined Contribution Plans	-	-
1,250	1,030	Long Service Leave	-	-
185	483	Redundancies	-	-
3,662	3,091	Workers' Compensation Insurance	-	-
31	31	Fringe Benefits Tax	-	-
349,072	327,684		-	-
		Personnel services of Murrumbidgee Local Health District were provided by its controlled entity, Murrumbidgee Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
663	188	Personnel Services Expenses Capitalised - Land and Buildings	-	-
663	188		-	-

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
4. Other Expenses				
374	246	Advertising	374	246
102	100	Auditor's Remuneration - Audit of Financial Statements	102	100
2,297	2,419	Blood and Blood Products	2,297	2,419
419	477	Consultancies	419	477
199	141	Contractors	199	141
19,038	18,272	Domestic Supplies and Services	19,038	18,272
12,525	12,138	Drug Supplies	12,525	12,138
17,941	17,212	Food Supplies	17,941	17,212
6,455	5,750	Fuel, Light and Power	6,455	5,750
18,766	15,960	Patient Transport Costs	18,766	15,960
10,943	9,831	Information Management Expenses	10,943	9,831
663	584	Insurance	663	584
17,607	17,890	Maintenance (See Note 4(b))	17,607	17,890
21,320	19,037	Medical and Surgical Supplies	21,320	19,037
1,491	1,321	Motor Vehicle Expenses	1,491	1,321
1,518	1,491	Postal and Telephone Costs	1,518	1,491
903	859	Printing and Stationery	903	859
1,016	1,017	Rates and Charges	1,016	1,017
4,301	4,276	Rental	4,301	4,276
4,886	4,807	Hosted Services Purchased from Entities Controlled by the Immediate Parent	4,886	4,807
37,180	35,254	Specialised Services (Dental, Radiology, Pathology, Allied Health)	37,180	35,254
7,754	7,438	Staff Related Costs	7,754	7,438
4,087	3,709	Travel Related Costs	4,087	3,709
17,475	23,828	Other (See Note 4(a))	17,475	23,828
209,260	204,057		209,260	204,057

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
1,386	2,547	Contract for Patient Services	1,386	2,547
5,654	6,506	Corporate Support Services	5,654	6,506
470	461	Courier and Freight	470	461
4,106	3,880	Isolated Patient Travel and Accommodation Assistance Scheme	4,106	3,880
346	248	Legal Services	346	248
262	345	Membership/Professional Fees	262	345
1,717	1,865	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,717	1,865
338	240	Other Operating Lease Expense - Minimum Lease Payments	338	240
11	58	Quality Assurance/Accreditation	11	58
582	345	Security Services	582	345
2,603	7,333	Other Miscellaneous	2,603	7,333
17,475	23,828		17,475	23,828
		b) Reconciliation of Total Maintenance		
4,731	4,872	Maintenance Contracts	4,731	4,872
6,088	7,591	New/Replacement Equipment under \$10,000	6,088	7,591
6,785	5,023	Repairs Maintenance/Non Contract	6,785	5,023
3	404	Other	3	404
17,607	17,890	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	17,607	17,890
2,807	2,800	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,807	2,800
20,414	20,690		20,414	20,690

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies' and 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Specialised Services' were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		5. Depreciation and Amortisation		
17,437	22,064	Depreciation - Buildings	17,437	22,064
5,874	6,319	Depreciation - Plant and Equipment	5,874	6,319
383	421	Depreciation - Infrastructure Systems	383	421
228	153	Amortisation - Leasehold Improvements	228	153
23,922	28,957		23,922	28,957
		6. Grants and Subsidies		
1,588	1,542	Non-Government Organisations	1,588	1,542
557	-	Grants to Research Organisations	557	-
232	191	Grants Paid to Entities Controlled by the Immediate Parent	232	191
130	101	Other Grants	130	101
2,507	1,834		2,507	1,834
		7. Finance Costs		
35	10	Interest on Loans	35	10
-	2	Other Interest Charges	-	2
35	12		35	12
		8. Payments to Affiliated Health Organisations		
		a) Recurrent Sourced		
16,036	15,898	Mercy Health Service	16,036	15,898
16,036	15,898		16,036	15,898

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		9. Sale of Goods and Services		
		a) Sale of Goods comprise the following:-		
97	54	Pharmacy Sales	97	54
764	957	Sale of Prosthesis	764	957
1	2	Other	1	2
		b) Rendering of Services comprise the following:-		
		Patient Fees:		
36,031	36,735	- Inpatient Fees	36,031	36,735
7,899	7,842	- Nursing Home Fees	7,899	7,842
2,346	2,024	- Non Inpatient Fees	2,346	2,024
7,497	10,145	Department of Veterans' Affairs	7,497	10,145
158	184	Staff Meals and Accommodation	158	184
8,105	7,417	Infrastructure Fees - Monthly Facility Charge	8,105	7,417
8	16	Cafeteria/Kiosk	8	16
108	86	Car Parking	108	86
1	1	Child Care Fees	1	1
1,560	1,289	Clinical Services (excluding Clinical Drug Trials)	1,560	1,289
50	57	Commercial Activities	50	57
42	46	Fees for Medical Records	42	46
4	4	Information Retrieval	4	4
4,317	4,344	Highly Specialised Drugs	4,317	4,344
48	46	Linen Service Revenues - Non Health Services	48	46
2	2	Meals on Wheels	2	2
2,343	2,709	Motor Accident Authority Third Party	2,343	2,709
50	81	Patient Transport Fees	50	81
12	26	Private Use of Motor Vehicles	12	26
1,186	1,138	Hosted Services Provided to Entities Controlled by Immediate Parent	1,186	1,138
307	278	Services Provided to Non NSW Health Organisations	307	278
(8)	9	Use of Ambulance Facilities	(8)	9
16,053	15,466	Multi Purpose Service Centre Fees	16,053	15,466
144	137	Other	144	137
89,125	91,095		89,125	91,095
		The majority of 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.		
		10. Investment Revenue		
238	228	Interest	238	228
238	228		238	228

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
11. Grants and Other Contributions				
4,215	4,160	Commonwealth Government Grants	4,215	4,160
876	982	Industry Contributions / Donations	876	982
5,533	5,693	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	5,533	5,693
25,319	15,140	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	25,319	15,140
558	192	Grants & Contributions Received from Entities Controlled by the Immediate Parent	558	192
-	6	Research Grants	-	6
2,627	2,444	Other Grants	2,627	2,444
39,128	28,617		39,128	28,617
<p>The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from the Health Administration Corporation.</p>				
12. Acceptance by the Crown Entity of Employee Benefits				
<p>The following liabilities and expenses have been assumed by the Crown Entity:</p>				
-	-	Superannuation - Defined Benefit Plans	2,630	2,875
-	-	Long Service Leave Provision	17,530	9,504
-	-		20,160	12,379
13. Other Income				
<p>Other Income comprises the following:-</p>				
-	2	Bad Debts Recovered	-	2
31	18	Commissions	31	18
603	715	Conference and Training Fees	603	715
149	-	Discounts	149	-
72	1	Insurance Refunds	72	1
1,058	943	Lease and Rental	1,058	943
27	21	Sponsorship	27	21
1,047	1,056	Treasury Managed Fund Hindsight Adjustment	1,047	1,056
388	228	Other	388	228
3,375	2,984		3,375	2,984
<p>Some 'Lease and Rental' income was received from entities controlled by the immediate parent.</p> <p>Some 'Conference and Training fees' revenue was received from entities controlled by the ultimate parent.</p>				
14. Gains / (Losses) on Disposal				
10,093	35,841	Property, Plant and Equipment	10,093	35,841
(9,897)	(35,826)	Less: Accumulated Depreciation	(9,897)	(35,826)
196	15	Written Down Value	196	15
3	36	Less: Proceeds from Disposal	3	36
(193)	21	Gain / (Loss) on Disposal of Property, Plant and Equipment	(193)	21
-	1,725	Assets Held for Sale	-	1,725
171	2,600	Less: Proceeds from Disposal	171	2,600
171	875	Gain / (Loss) on Disposal of Assets Held for Sale	171	875
(22)	896	Total Gains / (Losses) on Disposal	(22)	896
15. Other Gains / (Losses)				
-	(333)	Impairment of Receivables	-	(333)
-	(333)		-	(333)

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
16. Cash and Cash Equivalents				
3,065	2,200	Cash at Bank and On Hand	3,065	2,200
<u>3,065</u>	<u>2,200</u>		<u>3,065</u>	<u>2,200</u>
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash and Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
3,065	2,200	Cash and Cash Equivalents (per Statement of Financial Position)	3,065	2,200
<u>3,065</u>	<u>2,200</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>3,065</u>	<u>2,200</u>

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
17. Receivables				
Current				
6,712	6,410	Sale of Goods and Services	6,712	6,410
2,084	5,748	Intra Health Receivables	2,084	5,748
3,130	3,128	Goods and Services Tax	3,130	3,128
239	284	Other Debtors	239	284
12,165	15,570	Sub Total	12,165	15,570
(261)	-	Less: Allowance for Expected Credit Losses *	(261)	-
-	(295)	Less: Allowance for Impairment **	-	(295)
11,904	15,275	Sub Total	11,904	15,275
1,624	827	Prepayments	1,624	827
13,528	16,102		13,528	16,102
<p>'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. Some of the balance at reporting date was receivable from Health Administration Corporation.</p>				
a) * Movement in the Allowance for Expected Credit Losses				
Sale of Goods and Services				
(232)	-	Balance as at 30 June 2018 under AASB 139	(232)	-
123	-	Amounts restated through opening Accumulated Funds	123	-
(109)	-	Balance at 1 July 2018 under AASB 9	(109)	-
545	-	Amounts Written Off During the Year	545	-
(695)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(695)	-
(259)	-	Balance at 30 June 2019	(259)	-
Other Debtors				
(63)	-	Balance as at 30 June 2018 under AASB 139	(63)	-
61	-	Amounts restated through opening Accumulated Funds	61	-
(2)	-	Balance at 1 July 2018 under AASB 9	(2)	-
(122)	-	Amounts Recovered During the Year	(122)	-
123	-	(Increase) / Decrease in Allowance Recognised in the Net Result	123	-
(2)	-	Balance at 30 June 2019	(2)	-
(261)	-		(261)	-

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		17. Receivables		
		b) ** Movement in the Allowance for Impairment		
		Sale of Goods and Services		
-	(190)	Balance at 1 July 2017	-	(190)
-	223	Amounts Written Off During the Year	-	223
-	6	Amounts Recovered During the Year	-	6
-	(272)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(272)
-	(232)	Balance at 30 June 2018	-	(232)
		Other Debtors		
-	(14)	Balance at 1 July 2017	-	(14)
-	12	Amounts Written Off During the Year	-	12
-	(61)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(61)
-	(63)	Balance at 30 June 2018	-	(63)
-	(295)		-	(295)
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		Current and Non-Current include:		
710	786	Patient Fees - Compensable	710	786
437	291	Patient Fees - Ineligible	437	291
4,896	4,239	Patient Fees - Inpatient & Other	4,896	4,239
6,043	5,316		6,043	5,316

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
543	310	Drug Supplies	543	310
854	866	Medical and Surgical Supplies	854	866
70	111	Engineering Supplies	70	111
23	178	Other Including Goods in Transit	23	178
1,490	1,465		1,490	1,465
		19. Other Financial Assets		
		Current		
3,500	5,000	Other Loans and Deposits	3,500	5,000
3,500	5,000		3,500	5,000

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
845,658	762,607	Gross Carrying Amount	845,658	762,607
305,778	279,063	Less: Accumulated Depreciation and Impairment	305,778	279,063
<u>539,880</u>	<u>483,544</u>	Net Carrying Amount	<u>539,880</u>	<u>483,544</u>
Plant and Equipment - Fair Value*				
64,148	60,062	Gross Carrying Amount	64,148	60,062
35,087	29,439	Less: Accumulated Depreciation and Impairment	35,087	29,439
<u>29,061</u>	<u>30,623</u>	Net Carrying Amount	<u>29,061</u>	<u>30,623</u>
Infrastructure Systems - Fair Value				
14,027	17,655	Gross Carrying Amount	14,027	17,655
7,051	11,283	Less: Accumulated Depreciation and Impairment	7,051	11,283
<u>6,976</u>	<u>6,372</u>	Net Carrying Amount	<u>6,976</u>	<u>6,372</u>
Leasehold Improvements - Fair Value*				
2,699	2,656	Gross Carrying Amount	2,699	2,656
435	207	Less: Accumulated Depreciation and Impairment	435	207
<u>2,264</u>	<u>2,449</u>	Net Carrying Amount	<u>2,264</u>	<u>2,449</u>
<u>578,181</u>	<u>522,988</u>	Total Property, Plant and Equipment at Net Carrying Amount	<u>578,181</u>	<u>522,988</u>

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2019					
Net Carrying Amount at Beginning of Year	483,544	30,623	6,372	2,449	522,988
Additions	62,640	4,315	-	43	66,998
Disposals	(193)	(3)	-	-	(196)
Equity Transfers - Transfers In / (Out)	(1,408)	-	-	-	(1,408)
Net Revaluation Increment Less Revaluation Decrements	12,735	-	987	-	13,722
Depreciation Expense	(17,437)	(5,874)	(383)	(228)	(23,922)
Net Carrying Amount at End of Year	539,881	29,061	6,976	2,264	578,182

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	471,223	34,282	6,875	317	512,697
Additions	36,028	2,608	-	2,285	40,921
Reclassification to Assets Held for Sale	(1,643)	-	(82)	-	(1,725)
Disposals	-	(15)	-	-	(15)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	67	-	-	67
Depreciation Expense	(22,064)	(6,319)	(421)	(153)	(28,957)
Net Carrying Amount at End of Year	483,544	30,623	6,372	2,449	522,988

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the MLHD [see Note 1(m)].

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

a) Fair Value Hierarchy

2019	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000
Property, Plant and Equipment (Note 20)			
- Land and Buildings	1,463	447,054	448,517
- Infrastructure Systems	-	6,976	6,976
	1,463	454,030	455,493

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

2018	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000
Property, Plant and Equipment (Note 20)			
- Land and Buildings	4,154	230,305	234,459
- Infrastructure Systems	-	6,372	6,372
	4,154	236,677	240,831

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the MLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Property Group for the 2018/19 financial year. Opteon Property Group is an independent entity and is not an associated entity of the MLHD.

The non-current assets categorised in a) above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2018	230,305	6,372	236,677
Additions	217,758	-	217,758
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 20)	12,681	987	13,668
Transfers from Level 2	2,642	-	2,642
Transfers to Level 2	(268)	-	(268)
Disposals	(193)	-	(193)
Depreciation expense	(14,463)	(383)	(14,846)
Equity Transfers - Transfers In / (Out)	(1,408)	-	(1,408)
Fair Value as at 30 June 2019	447,054	6,976	454,030

There were transfers between Level 2 and 3 during the year ended 30 June 2019. Level 2 and 3 transfers occurred as a result of Valuer's current year assessment of individual buildings and land assets.

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2017	249,651	6,875	256,526
Disposals	(1,409)	-	(1,409)
Depreciation expense	(16,294)	(421)	(16,715)
Transfer to Assets Held For Sale	(1,643)	(82)	(1,725)
Fair Value as at 30 June 2018	230,305	6,372	236,677

There were no transfers between Level 1 or 2 during the year ended 30 June 2018

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

22. Restricted Assets

The MLHD's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Community Welfare	2	-	-	2
Facility Improvements	1,073	212	276	1,137
Patient Welfare	611	175	60	496
Private Practice Disbursements (No.2 Accounts)	7	44	110	73
Public Contributions	3,340	1,028	664	2,976
Research	6	1	-	5
Staff Welfare	23	-	3	26
Training and Education Including Conferences	190	26	4	168
	5,252	1,486	1,118	4,884

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and Education Including Conferences	Professional training, education and conferences.

Murrumbidgee Local Health District
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for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	11,134	9,707
-	-	Taxation and Payroll Deductions	1,381	1,107
12,515	10,814	Accrued Liability - Purchase of Personnel Services	-	-
14,033	17,895	Creditors	14,033	17,895
		Other Creditors		
-	388	- Capital Works	-	388
9,609	8,541	- Payables to Entities Controlled by the Immediate Parent	9,609	8,541
5,437	6,312	- Other	5,437	6,312
41,594	43,950		41,594	43,950

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to Entities Controlled by the Immediate Parent' relate to balances payable to the Health Administration Corporation an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

		24. Borrowings		
		Current		
190	182	Other Loans and Deposits	190	182
190	182		190	182
		Non-Current		
771	961	Other Loans and Deposits	771	961
771	961		771	961

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.

Final repayment of loan is scheduled for 30 June 2025

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 37.

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	30,805	29,033
-	-	Annual Leave - Long Term Benefit	3,835	3,359
-	-	Long Service Leave Consequential On-Costs	7,708	6,559
-	-	Provision for Other Employee Benefits	983	843
43,331	39,794	Provision for Personnel Services Liability	-	-
43,331	39,794		43,331	39,794
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	670	570
670	570	Provision for Personnel Services Liability	-	-
670	570		670	570
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	43,331	39,794
-	-	Provisions - Non-Current	670	570
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 23)	12,515	10,814
56,516	51,178	Liability - Purchase of Personnel Services	-	-
56,516	51,178		56,516	51,178
		26. Other Liabilities		
		Other Current Liabilities		
43	267	Unearned Revenue	43	267
43	267		43	267

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
27. Commitments				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
133,350	38,286	Within one year	133,350	38,286
10,139	10,856	Later than one year and not later than five years	10,139	10,856
143,489	49,142	Total (Including GST)	143,489	49,142
The majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
<i>Entity as Lessee</i>				
Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:				
4,162	3,792	Within one year	4,162	3,792
7,059	7,521	Later than one year and not later than five years	7,059	7,521
1,945	1,669	Later than five years	1,945	1,669
13,166	12,982	Total (Including GST)	13,166	12,982
The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) Input Tax Receivable Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$156.7M million as at 30 June 2019 includes input tax credits of 14.24M that are expected to be recoverable from the Australian Taxation Office (2018 4.89M).				

Murrumbidgee Local Health District
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PARENT AND CONSOLIDATION

28. Trust Funds

The MLHD holds trust funds of \$4.5 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the MLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Unclassified		Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at the beginning of the financial year	79	76	3,710	2,663	187	143	111	121	-	18	4,087	3,021
Add : Receipts	6	10	1,342	1,791	275	448	58	45	-	(18)	1,680	2,276
Less : Expenditure	(6)	(8)	(805)	(744)	(384)	(404)	(57)	(54)	-	-	(1,252)	(1,210)
Balance at the end of the financial year	79	78	4,247	3,710	78	187	112	112	-	-	4,516	4,087

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Practice Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Murrumbidgee Local Health District
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PARENT AND CONSOLIDATION

29. Contingent Liabilities and Assets

- a) Murrumbidgee Local Health District has no contingent assets and liabilities

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
66,758	38,175	Net Cash Used on Operating Activities	66,758	38,175
(23,922)	(28,957)	Depreciation and Amortisation Expense	(23,922)	(28,957)
(573)	(333)	Allowance for impairment	(573)	(333)
224	(182)	(Increase) / Decrease in Unearned Revenue	224	(182)
(3,661)	(3,263)	Decrease / (Increase) in Provisions	(3,661)	(3,263)
(2,347)	2,571	Increase / (Decrease) in Prepayments and Other Assets	(2,347)	2,571
2,153	(3,285)	Decrease / (Increase) in Payables	2,153	(3,285)
(22)	896	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(22)	896
-	67	Assets Donated or Brought to Account / Emerging Assets Recognised	-	67
38,610	5,689	Net Result	38,610	5,689
31. Non-Cash Financing and Investing Activities				
-	67	Assets Donated or Brought to Account	-	67
-	67		-	67

Murrumbidgee Local Health District
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PARENT AND CONSOLIDATION

32. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash	2019
	\$000	\$000	Changes Other	\$000
	\$000	\$000	\$000	\$000
Borrowings and Advances	1,143	(182)	-	961

33. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the MLHD. Services received free, or for nominal consideration include:

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies / Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient and Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help and Patient Activities |
|---|---|

34. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the MLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the MLHD.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

35. Adjusted Budget Review

Net Result

The actual Net Result was lower than adjusted budget by \$1 million, primarily due to:

The following highlight the material variances to the Adjusted Budget. Higher Employee Related expenses (+\$13.3M) were linked to higher activity and the increased costs through overtime and the use of external agency staff to assist meeting demand. The increased activity also contributed to higher VMO expenses (+\$0.6M) and higher Other Expenses (Goods & services) (\$3.3M). Increased expenses were offset by increased NSW Ministry Recurrent Allocation (+\$20.2M). Sale of Goods & Services revenues were lower (\$4.3M) than budget in part reflecting changing revenue streams such as private health insurance revenues and reducing DVA patients.

Assets and Liabilities

At 30 June overall Net Assets were higher than Budget \$11.2M. Total Property, Plant & Equipment increased as a result of the Revaluation \$14.6M not reflected in the budget allowance. Receivables were \$2.6M lower than the budget allowance reflecting the timing of debt recovery for patient services billings and accrued Intra Health (other NSW entities) charges. Current Liabilities were \$0.9M lower than the budget allowance with payables decreasing by \$3.1M and employee provisions increasing by \$2.4M.

Cash Flows

Payments were higher than budget by \$18.8M substantially in the Employee Related and Supplier of Goods & Services categories. Receipts compared to budget were at \$19.7M higher reflecting increased Ministry of Health Recurrent allocations +\$20.2M. Cash receipts from Sale of Goods & Services were lower than budget by \$3.4M

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 19 June 2018 are as

	\$000
Initial Allocation, 1 July 2018	467,855
Additional Purchased Activity	8,420
Isolated Patients Travel and Accommodation Assistance Scheme	4,241
Revenue Realignment	3,196
Critical Maintenance Works	1,414
Adult Public Dental Services NPA	1,400
Medical & GP Training	1,266
Nurse/Midwifery Enhancements	1,001
Research Grants	826
Mental Health Service Enhancements	711
Palliative Care Enhancements	701
National Disability Insurance Scheme	557
New Street Service Enhancement	400
NEPT Fixed Wing Price Adjustment	365
Workers Compensation Adjustment	(286)
Oter Miscellaneous Enhancements	1,445
Balance as per Statement of Comprehensive Income	493,512

Murrumbidgee Local Health District
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36. Increase / (Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2018/19 year were:

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$27 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

- b) A transfer of land has been made between MLHD and Ministry of Health Albury Asset Division to realign Albury land with the current legal entity in control of the assets. This has resulted in a decrease in net assets of \$1.4 million relating to the transfer of land to other NSW Health entities.

Equity transfers effected in the 2017/18 year were:

Nil

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	27	-
b) Land - Transfer of Land between NSW Health entities	(1,408)	-
	(1,381)	-

Assets and Liabilities transferred are as follows:

	2019	2018
	\$000	\$000
Assets		
a) Land	(1,408)	-
Liabilities		
a) Annual Leave Provision	27	-
Increase / (Decrease) in Net Assets From Equity Transfers	(1,381)	-

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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37. Financial Instruments

The MLHD's principal financial instruments are outlined below. These financial instruments arise directly from the MLHD's operations or are required to finance its operations. The MLHD does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The MLHD's main risks arising from financial instruments are outlined below, together with the MLHD's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the MLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2019 \$000
Cash and Cash Equivalents (Note 16)	N/A	3,065
Receivables (Note 17) ¹	Amortised cost	8,774
Other Financial Assets (Note 19)	Amortised cost	3,500
Total Financial Assets		15,339
Financial Liabilities		
Borrowings (Note 24)	Financial liabilities measured at amortised cost	961
Payables (Note 23) ²	Financial liabilities measured at amortised cost	40,213
Total Financial Liabilities		41,174

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

ii. As at 30 June 2018 under AASB 139 (comparative period)

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Class	Category	Carrying Amount 2018 \$000
Cash and Cash Equivalents (Note 16)	N/A	2,200
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	12,147
Other Financial Assets (Note 19)	Loans and receivables (at amortised cost)	5,000
Total Financial Assets		19,347
Financial Liabilities		
Borrowings (Note 24)	Financial liabilities measured at amortised cost	1,143
Payables (Note 23) ²	Financial liabilities measured at amortised cost	42,843
Total Financial Liabilities		43,986

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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37. Financial Instruments

b) Financial Risk

i. Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the MLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from financial assets of the MLHD, including cash, receivables and authority deposits. No collateral is held by the MLHD. The MLHD has not granted any financial guarantees.

Credit risk associated with the MLHD's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

The MLHD considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the MLHD may also consider a financial asset to be in default when internal or external information indicates that the MLHD is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the MLHD.

Cash and Cash Equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% (Restricted funds bank balance: 2.35%) in 2018/19 compared to 2.35% (Restricted funds bank balance: 2.35%) in the previous year.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The MLHD applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The MLHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019	Current \$'000	<30 days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
Expected credit loss rate	0.69%	1.65%	9.68%	16.89%	28.21%	3.86%
Estimated total gross carrying amount at default	5,223	421	380	124	563	6,712
Expected credit loss	36	7	37	21	159	259
1 July 2018	Current \$'000	<30 days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
Expected credit loss rate	0.77%	1.65%	5.81%	12.25%	14.89%	1.70%
Estimated total gross carrying amount at default	5,410	439	218	137	207	6,410
Expected credit loss	42	7	13	17	31	109

The MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

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37. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the MLHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the MLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018
	\$000
Neither past due nor impaired	11,487
Past due but not impaired ^{1,2}	
< 3 months overdue	553
3 - 6 months overdue	73
> 6 months overdue	34
Impaired ^{1,2}	
< 3 months overdue	41
3 - 6 months overdue	62
> 6 months overdue	192
Total ^{1,2}	12,442

Notes

1 The table reports 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

ii. Liquidity Risk

Liquidity risk is the risk that the MLHD will be unable to meet its payment obligations when they fall due. The MLHD continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

The MLHD has negotiated no loan outside of arrangements with the NSW Ministry of Health or NSW Treasury.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

The MLHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the MLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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37. Financial Instruments

The table below summarises the maturity profile of the MLHD's financial liabilities together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000
2019							
Payables:							
- Creditors ²		40,213	-	40,213	40,213	-	-
Borrowings:							
- Loans and Deposits	2.88%	961	961	-	190	642	129
		41,174	961	40,213	40,403	642	129
2018							
Payables:							
- Creditors ²		42,843	-	42,843	42,843	-	-
Borrowings:							
- Loans and Deposits	2.94%	1,143	1,143	-	182	708	253
		43,986	1,143	42,843	43,025	708	253

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the MLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

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37. Financial Instruments

iii. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The MLHD's exposures to market risk are primarily through interest rate risk on the MLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The MLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the MLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the MLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The MLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the MLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
	Carrying Amount \$000	Net Result \$000	Equity \$000	Net Result \$000	Equity \$000
2019					
Financial Assets					
Cash and Cash Equivalents	3,065	(31)	(31)	31	31
Receivables	8,774	-	-	-	-
Other Financial Assets	3,500	(35)	(35)	35	35
Financial Liabilities					
Payables ¹	40,213	-	-	-	-
Borrowings	961	10	10	(10)	(10)
2018					
Financial Assets					
Cash and Cash Equivalents	2,200	(22)	(22)	22	22
Receivables	12,147	-	-	-	-
Other Financial Assets	5,000	(50)	(50)	50	50
Financial Liabilities					
Payables ¹	42,843	-	-	-	-
Borrowings	1,143	11	11	(11)	(11)

¹ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

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38. Related Party Transactions

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Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	721	803
Post-Employment Benefits	49	51
	<u>770</u>	<u>854</u>

During the financial year, Murrumbidgee Local Health District obtained key management personnel services from the immediate parent and incurred \$0.353 million (2018: \$0.351 million) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

There were no transactions with key management personnel and their close family members (2018: \$Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

39. Events After the Reporting Period

There are no events after the reporting period that require amendment to financial statements.

END OF AUDITED FINANCIAL STATEMENTS

