



INDEPENDENT AUDITOR'S REPORT

Mid North Coast Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Mid North Coast Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the District's financial position, financial performance and cash flows

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 Statement' section of my report.

I am independent of the District in accordance with the requirements of the:

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of 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 35. 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, the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes 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 District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf OR www.auasb.gov.au/auditors_responsibilities/ar6.pdf . The description forms part of my auditor's report.

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

- that the District carried out its 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.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2021
SYDNEY

Mid North Coast Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2021



I state, pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'):

1. The financial statements of the Mid North Coast Local Health District for the year ended 30 June 2021 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the Mid North Coast Local Health District's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Stewart Dowrick'.

Stewart Dowrick

Chief Executive

6th of October 2021

Mid North Coast Local Health District

Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	437,324	426,423	425,679	-	-
Personnel services	3	-	-	-	436,489	409,650
Visiting medical officers	4	64,433	56,016	63,793	64,433	63,793
Other expenses	5	218,555	238,005	186,730	218,555	186,730
Depreciation and amortisation	6	27,736	26,843	26,383	27,736	26,383
Grants and subsidies	7	2,355	2,106	2,532	2,355	2,532
Finance costs	8	349	278	360	349	360
Total expenses excluding losses		750,752	749,671	705,477	749,917	689,448
Revenue						
NSW Ministry of Health recurrent allocations	10	651,568	659,678	580,161	651,568	580,161
NSW Ministry of Health capital allocations	10	89,060	93,171	84,498	89,060	84,498
Acceptance by the Crown ² of employee benefits	14	835	820	16,029	-	-
Sale of goods and services from contracts with customers	11	63,630	67,593	61,966	63,630	61,966
Investment revenue	12	266	712	444	266	444
Grants and other contributions	13	16,266	21,382	27,913	16,266	27,913
Other income	15	986	4,401	1,383	986	1,383
Total revenue		822,611	847,757	772,394	821,776	756,365
Operating result		71,859	98,086	66,917	71,859	66,917
Gains / (losses) on disposal	16	3	(694)	96	3	96
Impairment losses on financial assets	20	77	101	(379)	77	(379)
Net result from continuing operations	35	71,939	97,493	66,634	71,939	66,634
Net result from discontinued operations		-	-	-	-	-
Net result		71,939	97,493	66,634	71,939	66,634
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	(3,871)	-	17,983	(3,871)	17,983
Total other comprehensive income		(3,871)	-	17,983	(3,871)	17,983
TOTAL COMPREHENSIVE INCOME		68,068	97,493	84,617	68,068	84,617

¹ Unaudited adjusted budget, see Note 37.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Mid North Coast Local Health District
Statement of Financial Position as at 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
	Notes	2021	2021	2020	2021	2020
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	19	31,837	38,892	25,549	31,837	25,549
Receivables	20	15,905	13,311	13,531	15,905	13,531
Contract assets	21	360	1,018	1,018	360	1,018
Inventories	22	888	993	993	888	993
		48,990	54,214	41,091	48,990	41,091
Non-current assets held for sale	25	1,581	371	371	1,581	371
Total current assets		50,571	54,585	41,462	50,571	41,462
Non-current assets						
Property, plant & equipment	23					
- Land and buildings		615,513	629,324	565,406	615,513	565,406
- Plant and equipment		43,913	43,297	31,454	43,913	31,454
- Infrastructure systems		30,308	22,547	22,691	30,308	22,691
Total property, plant & equipment		689,734	695,168	619,551	689,734	619,551
Right-of-use assets	24	6,619	8,693	6,391	6,619	6,391
Total non-current assets		696,353	703,861	625,942	696,353	625,942
Total assets		746,924	758,446	667,404	746,924	667,404
LIABILITIES						
Current liabilities						
Payables	28	51,125	41,975	54,080	51,125	54,080
Contract liabilities	29	309	429	429	309	429
Borrowings	30	2,953	1,819	2,948	2,953	2,948
Provisions	31	71,815	66,243	62,173	71,815	62,173
Other current liabilities	32	3,806	1,055	1,274	3,806	1,274
		130,008	111,521	120,904	130,008	120,904
Total current liabilities		130,008	111,521	120,904	130,008	120,904
Non-current liabilities						
Borrowings	30	10,179	13,244	10,616	10,179	10,616
Provisions	31	1,090	1,090	787	1,090	787
Other non-current liabilities	32	4,509	2,027	2,027	4,509	2,027
Total non-current liabilities		15,778	16,361	13,430	15,778	13,430
Total liabilities		145,786	127,882	134,334	145,786	134,334
Net assets		601,138	630,564	533,070	601,138	533,070
EQUITY						
Reserves		76,637	80,506	80,508	76,637	80,508
Accumulated funds		524,501	550,058	452,562	524,501	452,562
Total Equity		601,138	630,564	533,070	601,138	533,070

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

Mid North Coast Local Health District
Statement of Changes in Equity for the year ended 30 June 2021

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		452,562	80,508	533,070
Net result for the year		71,939	-	71,939
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	(3,871)	(3,871)
Total other comprehensive income		-	(3,871)	(3,871)
Total comprehensive income for the year		71,939	(3,871)	68,068
Balance at 30 June 2021		524,501	76,637	601,138

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		392,856	62,525	455,381
Changes in accounting policy - initial application of AASB 1058		(6,928)	-	(6,928)
Balance at 1 July 2019		385,928	62,525	448,453
Net result for the year		66,634	-	66,634
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	17,983	17,983
Total other comprehensive income		-	17,983	17,983
Total Comprehensive Income for the Year		66,634	17,983	84,617
Balance at 30 June 2020		452,562	80,508	533,070

The accompanying notes form part of these financial statements.

Mid North Coast Local Health District
Statement of Cash Flows for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(443,032)	(440,005)	(407,816)	-	-
Suppliers for goods and services		(301,103)	(319,021)	(271,950)	(301,103)	(271,950)
Grants and subsidies		(2,589)	(2,337)	(2,788)	(2,589)	(2,788)
Finance costs		(350)	(278)	(360)	(350)	(360)
Personnel services		-	-	-	(443,032)	(407,816)
Total payments		(747,074)	(761,641)	(682,914)	(747,074)	(682,914)
Receipts						
NSW Ministry of Health recurrent allocations		651,568	659,678	580,161	651,568	580,161
NSW Ministry of Health capital allocations		89,060	93,171	84,498	89,060	84,498
Reimbursements from the Crown ²		6,164	6,164	6,590	6,164	6,590
Sale of goods and services		62,833	68,336	64,937	62,833	64,937
Interest received		266	712	553	266	553
Grants and other contributions		22,190	21,508	25,110	22,190	25,110
Other		24,091	28,416	24,205	24,091	24,205
Total receipts		856,172	877,985	786,054	856,172	786,054
NET CASH FLOWS FROM OPERATING ACTIVITIES	35	109,098	116,344	103,140	109,098	103,140
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		275	396	739	275	739
Proceeds from sale of financial assets		-	-	3,591	-	3,591
Purchases of property, plant and equipment		(99,795)	(100,878)	(104,362)	(99,795)	(104,362)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(99,520)	(100,482)	(100,032)	(99,520)	(100,032)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(810)	(810)	(792)	(810)	(792)
Payment of principal portion of lease liabilities		(2,480)	(1,709)	(2,291)	(2,480)	(2,291)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,290)	(2,519)	(3,083)	(3,290)	(3,083)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		6,288	13,343	25	6,288	25
Opening cash and cash equivalents	19	25,549	25,549	25,524	25,549	25,524
CLOSING CASH AND CASH EQUIVALENTS	19	31,837	38,892	25,549	31,837	25,549

¹ Unaudited adjusted budget, see Note 37.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Mid North Coast Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

The District 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) and it has no cash generating units.

The District, 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 27), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Mid North Coast Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District 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 2021 have been authorised for issue by the Chief Executive on the 6th of October 2021.

b) Basis of preparation

The District'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);
- * applicable requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- * Treasurer's Directions issued under the Act.

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

The Secretary of NSW Health, the Chair of the Mid North Coast 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 District'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 District 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.

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the District saw a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries, to ensure increased public hospital capacity would be available. On-going critical resources in 2021 have been reassigned to prepare, test and treat for possible surges of Covid-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders has commenced during 2021.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

Since March 2020, the NSW Government has committed more than \$4.0 billion to support NSW Health to increase its capacity and to manage the ongoing impacts of COVID-19. The 2021-22 NSW Budget included over \$30 billion for the NSW Health Cluster. This was enshrined in legislation on 28 June 2021 in Division 3 of the Appropriation Act 2021 No 18.

The District has received an additional \$48.87 million (2020: \$8.78 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 10.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The District has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District 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 and financial assets at fair value are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the District's presentation and functional currency.

c) Statement of Compliance

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

d) 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 District 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.

e) 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.

1. Statement of Significant Accounting Policies

f) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2020-21

The accounting policies applied in 2020-21 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 District applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- * Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of the District.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 is effective for the District from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of the District.

(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 District, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the District.

g) Impact of COVID-19 on Financial Reporting for 2020-21

The COVID-19 pandemic has resulted in significant changes in the District activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 10 NSW Ministry of Health allocations
- * Note 22 Inventories
- * Note 26 Fair value measurement of non-financial assets

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

2. Employee related expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	392,363	369,589	-	-
Superannuation - defined benefit plans	1,069	1,375	-	-
Superannuation - defined contribution plans	34,935	33,071	-	-
Long service leave	2,038	15,492	-	-
Workers' compensation insurance	6,780	6,133	-	-
Fringe benefits tax	139	19	-	-
	437,324	425,679	-	-

Employee related costs of \$0.05 million (2020: \$0.04 million) have been capitalised in property, plant and equipment assets and are therefore excluded from the above.

The decrease in the long service leave is the result of significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	392,363	369,589
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	34,935	33,071
Long service leave	-	-	2,272	838
Workers' compensation insurance	-	-	6,780	6,133
Fringe benefits tax	-	-	139	19
	-	-	436,489	409,650

Personnel services of Mid North Coast Local Health District were provided by its controlled entity, Mid North Coast Local Health District Special Purpose Service Entity.

Personnel services of \$0.05 million (2020: \$0.04 million) have been capitalised in property, plant and equipment assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the District's hospitals. VMO expenses of \$64.43 million (2020: \$63.79 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	136	91	136	91
Auditor's remuneration - audit of financial statements	167	159	167	159
Blood and blood products	4,100	3,681	4,100	3,681
Consultancies	698	659	698	659
Contractors	605	336	605	336
Domestic supplies and services	7,292	6,947	7,292	6,947
Drug supplies	25,677	23,713	25,677	23,713
Food supplies	12,780	12,321	12,780	12,321
Fuel, light and power	4,555	4,610	4,555	4,610
Patient transport costs	9,188	8,721	9,188	8,721
Information management expenses	13,037	11,309	13,037	11,309
Insurance	784	626	784	626
Maintenance (see Note 5 (b))	20,248	16,835	20,248	16,835
Medical and surgical supplies	39,371	32,204	39,371	32,204
Motor vehicle expenses	984	1,140	984	1,140
Postal and telephone costs	1,834	1,390	1,834	1,390
Printing and stationery	1,221	1,189	1,221	1,189
Rates and charges	1,096	938	1,096	938
Hosted services purchased from entities controlled by the immediate parent	2,099	2,148	2,099	2,148
Specialised services (dental, radiology, pathology and allied health)	49,568	31,498	49,568	31,498
Staff related costs	3,878	4,383	3,878	4,383
Travel related costs	2,556	3,703	2,556	3,703
Other (see Note 5 (a))	16,681	18,129	16,681	18,129
	218,555	186,730	218,555	186,730

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	214	-	214	-
Corporate support services	6,096	5,774	6,096	5,774
Courier and freight	398	392	398	392
Isolated patient travel and accommodation assistance scheme	1,734	2,486	1,734	2,486
Legal services	554	266	554	266
Membership/professional fees	359	512	359	512
Quality assurance / accreditation	36	14	36	14
Security services	759	735	759	735
Expenses relating to short-term leases	2,223	2,447	2,223	2,447
Expenses relating to leases of low-value assets	733	575	733	575
Variable lease payments, not included in lease liabilities	3	-	3	-
Other miscellaneous	3,572	4,928	3,572	4,928
	16,681	18,129	16,681	18,129
(b) Reconciliation of total maintenance				
Maintenance contracts	7,507	7,092	7,507	7,092
New / replacement equipment under \$10,000	7,579	5,274	7,579	5,274
Repairs maintenance / non contract	5,127	4,466	5,127	4,466
Other	35	3	35	3
Maintenance expense - contracted labour and other (non-employee related) in Note 5	20,248	16,835	20,248	16,835
Employee related/personnel services maintenance expense included in Notes 2 and 3.	1,698	1,752	1,698	1,752
	21,946	18,587	21,946	18,587

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 28.

Insurance

The District'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 for NSW, a controlled entity of the ultimate parent.

5. Other expenses (continued)

Recognition and Measurement (continued)

Lease expense

The District recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	18,282	16,822	18,282	16,822
Depreciation - plant and equipment	5,660	6,427	5,660	6,427
Depreciation - infrastructure systems	1,186	924	1,186	924
Depreciation - right-of-use buildings	1,267	1,051	1,267	1,051
Depreciation - right-of-use plant and equipment	1,341	1,159	1,341	1,159
	27,736	26,383	27,736	26,383

Refer to Note 23 Property, plant and equipment and Note 24 Leases for recognition and measurement policies on depreciation.

7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	1,895	1,835	1,895	1,835
Grants to research organisations	37	40	37	40
Grants paid to entities controlled by the immediate parent	290	317	290	317
Other grants	133	340	133	340
	2,355	2,532	2,355	2,532

Recognition and Measurement

Grants 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 grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	125	110	125	110
Interest expense from financial liabilities at amortised cost	224	250	224	250
	349	360	349	360

Recognition and Measurement

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.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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9. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the District's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

Deemed appropriation money is money received directly by the District which forms part of the consolidated fund and is not appropriated to the District by an Act.

Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	25,549	-	25,549	-
Add: Appropriations deemed on 1 July 2019	-	25,524	-	25,524
Add: additions of deemed appropriations	115,818	125,725	115,818	125,725
Less: expenditure charged against deemed appropriations	109,530	125,700	109,530	125,700
	31,837	25,549	31,837	25,549

Notes

¹ 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 Income of Not-for-Profit Entities.

² Deemed appropriations is a legal concept under the GSF Act, that does not have a corresponding financial statement line item. Instead, deemed appropriations may come from various sources, such as sale of goods and services, and the corresponding revenue is disclosed in the relevant sections of these items in the financial statements.

10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the District and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the District does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The District recognised NSW Ministry of Health recurrent allocations of \$47.63 million (2020: \$8.65 million) and NSW Ministry of Health capital allocations of \$1.24 million (2020: \$0.13 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

11. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	13,152	12,361	13,152	12,361
Sale of prostheses	1,396	1,839	1,396	1,839
Other	131	142	131	142
	14,679	14,342	14,679	14,342

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	19,392	18,343	19,392	18,343
- Nursing home fees	459	469	459	469
- Non inpatient fees	1,919	1,930	1,919	1,930
Department of Veterans' Affairs	8,614	9,485	8,614	9,485
Motor Accident Authority third party	4,186	3,604	4,186	3,604
Multi Purpose Service Centre fees	1,517	1,331	1,517	1,331
Patient transport fees	82	87	82	87
Enteral nutrition	2	1	2	1

Staff

Private use of motor vehicles	36	48	36	48
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General community

Car parking	535	877	535	877
Clinical services (excluding clinical drug trials)	1,424	1,214	1,424	1,214
Commercial activities	202	82	202	82
Fees for conferences and training	19	20	19	20
Fees for medical records	123	90	123	90

Non-NSW Health entities

Linen service revenues	2	3	2	3
Services to other organisations	49	89	49	89

Entities controlled by the immediate parent

Hosted service revenues	859	949	859	949
Linen service revenues	10	7	10	7
Shared corporate service revenues	-	1	-	1

Other

Infrastructure fees - annual charge	2,628	2,434	2,628	2,434
Infrastructure fees - monthly facility charge	6,250	5,764	6,250	5,764
Other	643	796	643	796

	48,951	47,624	48,951	47,624
	63,630	61,966	63,630	61,966

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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11. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Sale of goods

Revenue from the sale of goods is recognised when the District satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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11. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Rendering of services

Revenue from rendering of services is recognised when the District satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

11. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	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. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 29 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the District expects to recognise the unsatisfied portion as revenue.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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12. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	266	444	266	444
	266	444	266	444

Recognition and Measurement

Interest income

Interest income 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).

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

13. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	4,809	-	4,809
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	664	805	664	805
Clinical trials and research grants	1,586	1,286	1,586	1,286
Commonwealth government grants received for community based services	2,009	1,810	2,009	1,810
Grants from entities controlled by the ultimate parent	452	217	452	217
Other grants from entities controlled by the immediate parent	932	-	932	-
Other grants	2,817	2,404	2,817	2,404
Grants without specific performance obligations				
Commonwealth government grants other	-	127	-	127
Grants from entities controlled by the ultimate parent	6,548	14,574	6,548	14,574
Other grants from entities controlled by the immediate parent	680	567	680	567
Other grants	-	13	-	13
Donations	578	1,301	578	1,301
	16,266	27,913	16,266	27,913

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the District are recognised when the District satisfies its obligations under the transfer. The District satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations are recognised when the District satisfies a performance obligation by transferring the promised goods or services. The District typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The District uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 29 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the District obtains control over the granted assets (e.g. cash).

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

13. Grants and other contributions

Volunteer services

Recognition and Measurement (continued)

Grants and other contributions (continued)

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The District receives volunteer services for the below activities:

- Chaplaincies and Pastoral Care
- Pink Ladies / Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Health Education
- Patient and Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Transport, Home Help and Patient Activities

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

The following liabilities and / or expenses have been assumed by the Crown Entity:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	1,069	1,375	-	-
Long service leave provision	(234)	14,654	-	-
	835	16,029	-	-

The negative revenue for the long service leave provision in the current year is the result of significant changes in the actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

15. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Bad debts recovered	4	10	4	10
Commissions	24	23	24	23
Discounts	4	28	4	28
Insurance refunds	23	59	23	59
Rental income				
- other rental income	611	678	611	678
Sponsorship	33	55	33	55
Other	287	530	287	530
	986	1,383	986	1,383

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

Forgiveness of liabilities

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

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

16. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	189	262	189	262
Less: proceeds from disposal	77	286	77	286
Net gains / (losses) on disposal	(112)	24	(112)	24
Right-of-use assets				
Written down value of assets disposed	1,196	-	1,196	-
Less: lease liabilities extinguished	1,173	-	1,173	-
Net gains / (losses) on disposal	(23)	-	(23)	-
Assets held for sale				
Written down value of assets disposed	60	381	60	381
Less: proceeds from disposal	198	453	198	453
Net gains / (losses) on disposal	138	72	138	72
Financial assets				
Written down value of assets disposed	-	3,591	-	3,591
Less: proceeds from disposal	-	3,591	-	3,591
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	3	96	3	96

17. Other gains / (losses)

Recognition and Measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 21 Contract assets
- Note 22 Inventories
- Note 23 Property, plant and equipment
- Note 24 Leases

18. Conditions and restrictions on income of not-for-profit entities

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 27 Restricted assets.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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19. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	31,837	25,549	31,837	25,549
	31,837	25,549	31,837	25,549

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.

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:

Cash and cash equivalents (per Statement of Financial Position)	31,837	25,549	31,837	25,549
	31,837	25,549	31,837	25,549

Refer to Note 39 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the District are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the District. These payments are reported as expenses and operating cash outflows in the financial statements of the District.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the District when HealthShare NSW makes these payments on behalf of the District.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the District. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the District.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the District.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

20. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	8,477	7,471	8,477	7,471
Intra health receivables	2,087	1,304	2,087	1,304
Goods and Services Tax	4,521	3,821	4,521	3,821
Other receivables	948	1,580	948	1,580
Sub total	16,033	14,176	16,033	14,176
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(329)	(329)	(329)	(329)
- Other receivables	(131)	(917)	(131)	(917)
Sub total	15,573	12,930	15,573	12,930
Prepayments	332	601	332	601
	15,905	13,531	15,905	13,531

(a) * Movement in the allowance for expected credit losses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Trade receivables from contracts with customers				
Balance at the beginning of the year	(329)	(245)	(329)	(245)
Amounts written off during the year	370	150	370	150
(Increase) / decrease in allowance recognised in the net result ¹	(370)	(234)	(370)	(234)
Balance at the end of the year	(329)	(329)	(329)	(329)
Other receivables				
Balance at the beginning of the year	(917)	(797)	(917)	(797)
Amounts written off during the year	339	25	339	25
(Increase) / decrease in allowance recognised in the net result	447	(145)	447	(145)
Balance at the end of the year	(131)	(917)	(131)	(917)
	(460)	(1,246)	(460)	(1,246)

¹ Includes total impairment loss of \$0.37 million (2020: \$0.23 million) recognised on receivables from contracts with customers.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

20. Receivables (continued)

(b) The current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	416	389	416	389
Patient fees - ineligible	751	804	751	804
Patient fees - inpatient & other	3,264	2,485	3,264	2,485
	4,431	3,678	4,431	3,678

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 39.

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables 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.

Subsequent measurement

The District 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.

Impairment

The District 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 District expects to receive, discounted at the original effective interest rate.

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

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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21. Contract assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract assets	360	1,018	360	1,018
	360	1,018	360	1,018

Recognition and Measurement

Contract assets relate to the District's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the District issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the District has the rights to invoice. Once all performance obligations are met and the District has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

The contract asset balance has decreased during the year due to the timing of the rights to invoice and the obligations met.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	9,955	8,358	9,955	8,358
	9,955	8,358	9,955	8,358

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

22. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	888	993	888	993
	888	993	888	993

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. 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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2021, the District has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the District would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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23. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	698,516	81,565	32,230	812,311
Less: accumulated depreciation and impairment	238,575	38,566	14,166	291,307
Net carrying amount	459,941	42,999	18,064	521,004
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	459,941	42,999	18,064	521,004
Additions	95,146	9,853	-	104,999
Disposals	-	(262)	-	(262)
Net revaluation increments less revaluation decrements	16,946	-	1,037	17,983
Depreciation expense	(16,822)	(6,427)	(924)	(24,173)
Reclassifications	10,195	(14,709)	4,514	-
Net carrying amount at end of year	565,406	31,454	22,691	619,551

¹ 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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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23. Property, plant and equipment (continued)

(a) Total property, plant and equipment (continued)

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	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	842,162	62,155	35,703	940,020
<i>Less: accumulated depreciation and impairment</i>	276,756	30,701	13,012	320,469
Net carrying amount	565,406	31,454	22,691	619,551

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	565,406	31,454	22,691	619,551
Additions	81,765	17,944	-	99,709
Reclassification to assets held for sale	(787)	-	(483)	(1,270)
Disposals	-	(189)	-	(189)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	932	-	932
Net revaluation increments less revaluation decrements	(3,871)	-	-	(3,871)
Depreciation expense	(18,282)	(5,660)	(1,186)	(25,128)
Reclassifications	(8,718)	(568)	9,286	-
Net carrying amount at end of year	615,513	43,913	30,308	689,734

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	891,969	72,880	43,245	1,008,094
<i>Less: accumulated depreciation and impairment</i>	276,456	28,967	12,937	318,360
Net carrying amount	615,513	43,913	30,308	689,734

¹ 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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

23. Property, plant and equipment (continued)

Recognition and Measurement

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 Infrastructure, 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 Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of the District and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to the District. The costs are then accordingly reflected in the District financial statements. The District acquires most assets in this manner.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 38).

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

Capitalisation thresholds

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

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the District.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	Useful lives
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings.

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23. Property, plant and equipment (continued)

Depreciation of property, plant and equipment (continued)

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

Right-of-use assets acquired by lessees

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The District has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 24.

Revaluation of property, plant and equipment

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 participants 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 to Note 26 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 30 June 2021. A cumulative increase in indicators of 0-5% for specialised and commercial land values and a 6-9% increase in non-specialised land, and 3.75% for buildings and infrastructure were noted. The District used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE Valuation & Advisory Services were not applied as they were deemed immaterial.

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

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.

23. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

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.

The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

Mid North Coast Local Health District
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24. Leases

(a) Entity as a lessee

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1-8 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The District does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$190 thousand have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The District has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	3,468	2,923	6,391
Additions	2,908	649	3,557
Reassessments	434	28	462
Disposals	(1,182)	(14)	(1,196)
Depreciation expense	(1,267)	(1,341)	(2,608)
Equity transfers - transfers In / (out)	-	13	13
Balance at 30 June 2021	4,361	2,258	6,619

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	3,250	2,586	5,836
Additions	1,104	1,475	2,579
Reassessments	165	21	186
Depreciation expense	(1,051)	(1,159)	(2,210)
Balance at 30 June 2020	3,468	2,923	6,391

24. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	2021 \$000	2020 \$000
Balance at 1 July	6,310	5,836
Additions	3,557	2,579
Interest expenses	125	110
Payments	(2,605)	(2,401)
Terminations	(1,174)	-
Equity transfers - transfers In / (out)	13	-
Other adjustments	462	186
Balance at 30 June	6,688	6,310

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the District is the lessee:

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	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	2,608	2,210
Interest expense on lease liabilities	125	110
Expenses relating to short-term leases	2,223	2,447
Expenses relating to leases of low-value assets	733	575
Variable lease payments, not included in the measurement of lease liabilities	3	-
(Gains) / losses on disposal	22	-
Total amount recognised in the statement of comprehensive income	5,714	5,342

The District had total cash outflows for leases of \$5.56 million for the year ended 30 June 2021 (2020: \$5.42 million).

24. Leases (continued)

(a) Entity as a lessee (continued)

Leases at significantly below market terms and conditions principally to enable the entity to further its objectives

The District entered into a number of leases, with lease terms ranging from 3 to 65 years with various local councils and the Durri Aboriginal Corporation Medical Service, for the use of Community Health Buildings and land. The contract specifies lease payments of \$1 per annum. The leased premise is to be used by the District to provide different community health services. The Community Health Buildings and land account for a small portion of the similar assets the District is using for the purpose of providing community services. Therefore it does not have a significant impact on the District's operations.

Recognition and Measurement

The District assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The District recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

24. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The District recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	1 to 8 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the District at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

24. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities

At the commencement date of the lease, the District recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the District; and
- payments of penalties for terminating the lease, if the lease term reflects the District exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The District does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the District is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The District's lease liabilities are included in borrowings in Note 30.

iii. Short-term leases and leases of low-value assets

The District applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the District to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

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25. Non-current assets held for sale

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets held for sale				
Land and buildings	1,098	371	1,098	371
Infrastructure systems	483	-	483	-
	1,581	371	1,581	371

The non-current assets held for sale constitute assets that are surplus to requirements. The assets include the 'old Macksville District Hospital' site, the contract has exchanged, and the settlement will occur in December 2021. The other asset is a residential property located in Macksville. The residential property is being actively marketed within a sales program which has been initiated and is expected to be completed in the next twelve months. Property NSW are coordinating with a sales agent to arrange the sale of the properties. The asset sales process is part of strategic asset management initiatives currently being undertaken by the District.

Further details regarding fair value measurement are disclosed in Note 26.

Recognition and Measurement

The District has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

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26. Fair value measurement of non-financial assets

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Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	3,824	400,189	404,013
- Infrastructure systems	-	-	17,215	17,215
Non-current assets held for sale (Note 25)	-	1,581	-	1,581
	-	5,405	417,404	422,809

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	3,852	421,696	425,548
- Infrastructure systems	-	-	18,580	18,580
Non-current assets held for sale (Note 25)	-	371	-	371
	-	4,223	440,276	444,499

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

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26. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuation & Advisory Services for the 2019/20 financial year. CBRE Valuation & Advisory Services is an independent entity and is not an associated entity of the District.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 23 reconciliation).

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.

The majority 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.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

The property market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the District to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

(c) Reconciliation of recurring Level 3 fair value measurements

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2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	421,696	18,580	-	440,276
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	(3,871)	-	-	(3,871)
Transfers to Level 2	(787)	(483)	-	(1,270)
Depreciation expense	(16,849)	(882)	-	(17,731)
Fair value as at 30 June 2021	400,189	17,215	-	417,404

There were no transfers between level 1 or 2 during the year ended 30 June 2021.

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26. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements (continued)

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	374,227	17,118	-	391,345
Additions	45,923	1,288	-	47,211
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	16,945	1,037	-	17,982
Transfers from Level 2	1,034	-	-	1,034
Depreciation expense	(16,433)	(863)	-	(17,296)
Fair value as at 30 June 2020	421,696	18,580	-	440,276

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

Mid North Coast Local Health District
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27. Restricted assets

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The District'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 2021.

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	266	3	7	262
Facility improvements	7,573	6,224	387	13,410
Patient welfare	907	194	240	861
Private practice disbursements (No.2 Accounts)	13,421	2,788	2,546	13,663
Public contributions	1,553	307	387	1,473
Research	1,784	1,751	1,470	2,065
Staff welfare	9	-	1	8
Training and education including conferences	748	278	88	938
	26,261	11,545	5,126	32,680

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.

Unclaimed monies

All money and personal effects of patients which are left in the custody of the District 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 District.

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.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	6,111	16,425	-	-
Salaries and wages deductions	9	23	-	-
Payroll and fringe benefits tax	102	44	-	-
Accrued liability - purchase of personnel services	-	-	6,222	16,492
Creditors	13,581	10,863	13,581	10,863
Other creditors				
- Capital works	2,499	2,585	2,499	2,585
- Payables to entities controlled by the immediate parent	4,595	5,085	4,595	5,085
- Other	24,228	19,055	24,228	19,055
	51,125	54,080	51,125	54,080

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 39.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the District and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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 the net result when the liabilities are derecognised as well as through the amortisation process.

Mid North Coast Local Health District
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29. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	309	429	309	429
	309	429	309	429

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2021 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2021. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has decreased during the year because of the timing of payments received.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	429	72	429	72
Revenue recognised from performance obligations satisfied in previous periods	301	105	301	105
Transaction price allocated to the remaining performance obligations from contracts with customers	6,456	7,245	6,456	7,245

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Sales of goods and services from contracts with customers	1,545	-	-	-
Grants and other contributions	4,176	584	151	-
	5,721	584	151	-

Mid North Coast Local Health District
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30. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Loans	836	810	836	810
Lease liabilities (see Note 24)	2,117	2,138	2,117	2,138
	2,953	2,948	2,953	2,948
Non-current				
Loans	5,608	6,444	5,608	6,444
Lease liabilities (see Note 24)	4,571	4,172	4,571	4,172
	10,179	10,616	10,179	10,616

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 2028.

Loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 39.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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30. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

Financial liabilities at amortised cost

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 the net result when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 39 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

The District has not designated any financial liability as at fair value through profit or loss.

Changes in liabilities arising from financing activities

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	Loans	Leases	Total liabilities from financing activities
	\$000	\$000	\$000
1 July 2019	8,046	-	8,046
Recognised on adoption of AASB 16	-	5,836	5,836
Adjusted 1 July 2019	8,046	5,836	13,882
Cash flows	(792)	(2,291)	(3,083)
New leases	-	2,578	2,578
Lease reassessments	-	187	187
30 June 2020	7,254	6,310	13,564
Recognised on adoption of AASB 1059	-	-	-
1 July 2020	7,254	6,310	13,564
Cash flows	(810)	(2,480)	(3,290)
New leases	-	3,557	3,557
Lease terminations	-	(1,174)	(1,174)
Lease reassessments	-	462	462
Non-cash changes other	-	13	13
30 June 2021	6,444	6,688	13,132

Mid North Coast Local Health District
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31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	36,189	36,932	-	-
Annual leave - obligations expected to be settled after 12 months	22,450	13,932	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	986	926	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	10,033	8,124	-	-
Provision for other employee benefits	2,157	2,259	-	-
Provision for personnel services liability	-	-	71,815	62,173
Total current provisions	71,815	62,173	71,815	62,173
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	1,090	787	-	-
Provision for personnel services liability	-	-	1,090	787
Total non-current provisions	1,090	787	1,090	787
Aggregate employee benefits and related on-costs				
Provisions - current	71,815	62,173	-	-
Provisions - non-current	1,090	787	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	6,120	16,448	-	-
Liability - purchase of personnel services	-	-	79,025	79,408
	79,025	79,408	79,025	79,408

Recognition and Measurement

Employee benefits and other provisions

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).

31. Provisions

Recognition and Measurement (continued)

Employee benefits and other provisions (continued)

Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs (continued)

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 20.58% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.70%). The District has assessed the actuarial advice based on the District'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 District does not expect to settle the liability within 12 months as the District 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.

Long service leave and superannuation

The District's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The District 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the District.

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 Aware 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.

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.

Mid North Coast Local Health District
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32. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	3,806	1,274	3,806	1,274
	3,806	1,274	3,806	1,274
Non-current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,509	2,027	4,509	2,027
	4,509	2,027	4,509	2,027

* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 15 and Note 23 for further information on service concession arrangement.

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Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the District.

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	3,301	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	6,926
Add: receipt of cash during the financial year	5,014	1,183
Deduct: income recognised during the financial year	-	4,808
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	8,315	3,301

Refer to Note 13 for a description of the District's obligations under transfers received to acquire or construct non-financial assets to be controlled by the District.

The District expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period in the next 1-10 financial years, as the related asset(s) are constructed / acquired.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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33. Commitments

(a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment and infrastructure systems, contracted for at balance date and not provided for:

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	44,982	68,411	44,982	68,411
Later than one year and not later than five years	4,091	23,378	4,091	23,378
Total (including GST)	49,073	91,789	49,073	91,789

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$49.07 million as at 30 June 2021 includes input tax credits of 4.46 million that are expected to be recoverable from the Australian Taxation Office (2020 8.34 million).

Mid North Coast Local Health District
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34. Trust funds

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The District holds trust funds of \$1.5 million (2020: \$1.7 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 District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2020 Opening equity \$'000	Revenue \$'000	Expense \$'000	30 June 2021 Closing equity \$'000
Patient Trust	2	-	-	2
Refundable Deposits	14	14	-	28
Private Patient Trust Funds	299	5,408	(5,441)	266
Third Party Funds	1,410	9,206	(9,372)	1,244
Total trust funds	1,725	14,628	(14,813)	1,540

Category	1 July 2019 Opening equity \$'000	Revenue \$'000	Expense \$'000	30 June 2020 Closing equity \$'000
Patient Trust	2	-	-	2
Refundable Deposits	2	12	-	14
Private Patient Trust Funds	268	5,104	(5,073)	299
Third Party Funds	1,297	8,418	(8,305)	1,410
Total trust funds	1,569	13,534	(13,378)	1,725

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 Patient 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.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 40.

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35. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	109,098	103,140	109,098	103,140
Depreciation and amortisation expense	(27,736)	(26,383)	(27,736)	(26,383)
Allowance for impairment	77	(379)	77	(379)
(Increase) / decrease in unearned revenue	(5,013)	3,624	(5,013)	3,624
Decrease / (increase) in provisions	(9,944)	(6,270)	(9,944)	(6,270)
Increase / (decrease) in prepayments and other assets	2,167	(2,764)	2,167	(2,764)
Increase / (decrease) in contract assets	(658)	1,018	(658)	1,018
Decrease / (increase) in payables	2,893	(5,117)	2,893	(5,117)
Decrease / (increase) in contract liabilities	120	(356)	120	(356)
Net gain / (loss) on sale of property, plant and equipment	26	96	26	96
Net gain / (loss) on disposal of right-of-use assets	(23)	-	(23)	-
Assets donated or brought to account (Note 36)	932	25	932	25
Net result	71,939	66,634	71,939	66,634

36. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	932	25	932	25
Property, plant and equipment acquired by a lease	3,557	2,578	3,557	2,578
	4,489	2,603	4,489	2,603

Mid North Coast Local Health District

Notes to and forming part of the Financial Statements

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37. Adjusted budget review

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 District'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 District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the District 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 budget entries in the financial statements are unaudited.

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The 2020/2021 financial year presented a number of challenges for the District.

The Covid-19 pandemic continues to impact the District. Expenditure on a huge range of costs including: personal protective equipment, pathology, temperature checking and additional cleaning. The nationwide cancellation of elective surgery procedures in the prior year, led to increased surgical activity in the current year to address the backlog. There was also significant expenditure on equipment and maintenance expenses, in order to address the challenges presented by the pandemic. Travel restrictions have led to increased leave balances and resulted in more staff with excessive leave

NSW Ministry of Health Recurrent Allocations of a total of \$47.6 million were received, to fund the costs incurred to address the Covid-19 pandemic. \$1.9 million was received in the original allocation on 1 July 2020 and \$45.7 million was received in subsequent budget supplements. \$1.2 million in NSW Ministry of Health Capital allocations were received .

Significant flooding events across the Mid North Coast, resulted in large amounts of FACS leave being utilised, resulting in costs to backfill the affected staff. A number of surgeries had to be cancelled, resulting in significant cost and applying further pressure to waitlists. Significant repairs and maintenance expenses were also incurred.

Patient fee revenue, which has been under pressure for a number of years due to changes in private health fund policies, and the continued decline in DVA receipts continues to impact own source revenue.

Net result

The actual Net Result was lower than adjusted budget by \$26 million, primarily due to revenue being \$25.1 million unfavourable to budget and offset by expenses being \$1.1 million favorable to budget.

The unfavourable revenue result is made up of NSW Ministry of Health recurrent allocations \$8.1 million below budget, which represents subsidy cash entitlement not fully drawn down. This is largely due to the timing of timing of creditor payments, and is in line with the NSW Health cash reform policy. NSW Ministry of Health capital allocations were \$4.1 million below budget, due to timing, and will be rolled forward to the following year. Own source revenue was \$12.9 million below budget.

Assets and liabilities

Net assets were \$29 million below budget. Assets were \$11.5 million under budget, mainly as a result of cash & equivalents being \$7 million under budget and Plant Property & Equipment including right of use assets \$7.5 million under budget, offset by a favourable receivables budget of \$1.8 million and assets held for sale \$1.2 million higher than the budgeted figures. Liabilities were \$17.9 million over budget, largely driven by higher payables and provisions.

Cash flows

Closing Cash & Cash Equivalents were \$7.0 million below budget. Largely driven by cash flows from operating activities.

37. Adjusted budget review (continued)

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2020 are as follows:

	\$000
Initial allocation 1 July 2020	587,246
Aboriginal Health	417
Alcohol & Other Drugs	113
Community	588
COVID-19 (Note: \$1.94m was included in the initial allocation on 1 July 2020 for Covid-19)	45,691
Dental	209
Education & Training	889
Nursing & Midwifery	638
Payroll Accrual	12,802
PMBH HVAC Program	9,740
Workforce	520
Other	827
Balance as per Statement of Comprehensive Income	659,678

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38. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 23.

Accumulated funds

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

Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus).

Mid North Coast Local Health District
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39. Financial instruments

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

The District's main risks arising from financial instruments are outlined below, together with the District'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 District, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

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Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	31,837	25,549
Receivables (Note 20) ¹	Amortised cost	11,052	9,109
Contract assets (Note 21) ³	Amortised cost	360	1,018
Total financial assets		43,249	35,676
Financial liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	13,132	13,564
Payables (Note 28) ²	Financial liabilities measured at amortised cost	51,023	54,036
Total financial liabilities		64,155	67,600

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).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

The District determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition 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 District has transferred substantially all the risks and rewards of the asset; or
- The District has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

39. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

When the District 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 District 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 District's continuing involvement in the asset. In that case, the District 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.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) 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 District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.10%) in the previous year. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets 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 District applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

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

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39. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

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 District has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets 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 receivables, other receivables and contract assets as at 30 June 2021 and 30 June 2020 was determined as follows:

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.43%	8.44%	16.09%	38.89%	37.74%	4.70%
Estimated total gross carrying amount ¹	8,181	533	115	63	893	9,785
Expected credit loss	35	45	19	25	337	460
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.57%	17.61%	11.02%	28.57%	66.25%	12.37%
Estimated total gross carrying amount ¹	7,901	301	118	63	1,686	10,069
Expected credit loss	45	53	13	18	1,117	1,246

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note 21.

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 30 June 2020.

39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that the District will be unable to meet its payment obligations when they fall due. The District 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 District 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 District's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The District 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 District 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected 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.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2021								
Payables:								
- Creditors ²		51,023	-	-	51,023	51,023	-	-
Borrowings:								
- Loans	3.18%	7,239	7,239	-	-	1,034	4,137	2,068
- Lease liabilities	1.90%	6,902	6,902	-	-	2,190	4,412	300
		65,164	14,141	-	51,023	54,247	8,549	2,368
2020								
Payables:								
- Creditors ²		54,036	-	-	54,036	54,036	-	-
Borrowings:								
- Loans ⁴	3.18%	8,273	8,273	-	-	1,034	4,137	3,102
- Lease liabilities	1.76%	6,594	6,594	-	-	2,362	4,168	64
		68,903	14,867	-	54,036	57,432	8,305	3,166

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 District 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).

³ Weighted Average Effective Interest Rate (EIR).

⁴ Prior year figures have been reclassified to include interest on loan payables to ensure consistency with current year presentation and classification.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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39. Financial instruments (continued)

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 District's exposures to market risk are primarily through interest rate risk on the District's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The District 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 District 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 2020. 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 District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. 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 District 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:

PARENT AND CONSOLIDATION

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(187)	187	(120)	120
Equity	(187)	187	(120)	120

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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40. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	634	594
Post-employment benefits	49	38
	683	632

During the financial year, Mid North Coast Local Health District obtained key management personnel services from the immediate parent and incurred \$0.41 million (2020: \$0.41 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The District's key management personnel comprise its board members and chief executive (or acting chief executive from time to time during the year).

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2020: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

(d) Transactions the District had with government related entities during the financial year

During the financial year and comparative year, the District entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the [immediate/senior] parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the [immediate/senior] parent:

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Staff related costs in relation to training registration fee.
- Various grants and subsidies towards research and other projects
- Various fees paid for hosted services to entities controlled by the immediate/senior parent.

40. Related party disclosures

(d) Transactions the District had with government related entities during the financial year (continued)

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

The following operating expenses were incurred with entities controlled by the ultimate parent: (continued)

- Various grants and subsidies towards research and other projects

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

The following revenues were earned from entities controlled by the ultimate parent:

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

41. Events after the reporting period

On 15 August 2021, the NSW Government Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010, was expanded to cover regional areas of NSW, to contain the spread of COVID-19 and to prioritise the health and safety of the community. Since this date various amendments to the Public Health Order 2021 (now known as Public Health (COVID-19 Additional Restrictions for Delta Outbreak) Order 2021) have been issued which place numerous restrictions on New South Wales. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on the District after reporting date. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the District.

END OF AUDITED FINANCIAL STATEMENTS