



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Hunter New England Local Health District (the District), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

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

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(aa). 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.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- 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 other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Chris Clayton
Director, Financial Audit Services

11 September 2015
SYDNEY

**Hunter New England Local Health District
Certification of the Financial Statements
for the year ended 30 June 2015**

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

- 1) The financial statements of the Hunter New England Local Health District for the year ended 30 June 2015 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Hunter New England Local Health District; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Michael DiRienzo

Chief Executive

9 September 2015

Hunter New England Local Health District
Statement of Comprehensive Income for the year ended 30 June 2015

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2015 \$000	2015 \$000	2014 \$000					2015 \$000	2015 \$000	2014 \$000	
			Expenses excluding losses							
			Operating Expenses							
----	----	----	Employee Related		3	1,170,499	1,175,962	1,114,102		
1,100,560	1,105,600	1,061,444	Personnel Services		4	----	----	----		
91,876	83,940	88,675	Visiting Medical Officers			91,876	83,940	88,675		
520,039	524,588	507,807	Other Operating Expenses		5	520,039	524,588	507,807		
70,624	71,039	71,091	Depreciation and Amortisation		2(i), 6	70,624	71,039	71,091		
6,959	5,870	6,017	Grants and Subsidies		7	6,959	5,870	6,017		
10,977	10,949	11,665	Finance Costs		8	10,977	10,949	11,665		
119,671	119,671	116,444	Payments to Affiliated Health Organisations		9	119,671	119,671	116,444		
1,920,706	1,921,657	1,863,143	Total Expenses excluding losses			1,990,645	1,992,019	1,915,801		
			Revenue							
1,554,264	1,554,902	1,494,064	NSW Ministry of Health Recurrent Allocations		2(d)	1,554,264	1,554,902	1,494,064		
86,074	88,996	99,603	NSW Ministry of Health Capital Allocations		2(d)	86,074	88,996	99,603		
120	----	----	Transfers to the Ministry of Health			120	----	----		
----	----	----	Acceptance by the Crown Entity of Employee Benefits		2(a)(ii), 13	69,939	70,362	52,658		
248,924	244,476	235,783	Sale of Goods and Services		10	248,924	244,476	235,783		
3,878	3,230	5,393	Investment Revenue		11	3,878	3,230	5,393		
51,638	48,538	57,652	Grants and Contributions		12	51,638	48,538	57,652		
11,031	12,079	12,737	Other Revenue		14	11,031	12,079	12,737		
1,955,929	1,952,221	1,905,232	Total Revenue			2,025,868	2,022,583	1,957,890		
(586)	(785)	(2,600)	Gain / (Loss) on Disposal		15	(586)	(785)	(2,600)		
(536)	(825)	561	Other Gains / (Losses)		16	(536)	(825)	561		
34,101	28,954	40,050	Net Result		33	34,101	28,954	40,050		
			Other Comprehensive Income							
			Items that will not be reclassified to net result							
			Net Increase/(Decrease) in Property, Plant &							
51,424	----	10,811	Equipment Revaluation Surplus		22	51,424	----	10,811		
51,424	----	10,811	Total Other Comprehensive Income			51,424	----	10,811		
85,525	28,954	50,861	TOTAL COMPREHENSIVE INCOME			85,525	28,954	50,861		

The accompanying notes form part of these financial statements.

**Hunter New England Local Health District
Statement of Financial Position as at 30 June 2015**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000		2015 \$000	2015 \$000	2014 \$000
ASSETS						
Current Assets						
110,439	104,334	120,790	19	110,439	104,334	120,790
49,108	49,929	51,175	20	49,108	49,929	51,175
2,548	2,279	2,277	21	2,548	2,279	2,277
<u>162,095</u>	<u>156,542</u>	<u>174,242</u>		<u>162,095</u>	<u>156,542</u>	<u>174,242</u>
2,550	2,550	2,550	23	2,550	2,550	2,550
164,645	159,092	176,792		164,645	159,092	176,792
Non-Current Assets						
Property, Plant & Equipment						
1,214,244	1,186,058	1,130,288	22	1,214,244	1,186,058	1,130,288
107,849	78,612	91,907	22	107,849	78,612	91,907
76,520	73,062	75,301	22	76,520	73,062	75,301
3,637	3,821	3,821	22	3,637	3,821	3,821
<u>1,402,250</u>	<u>1,341,553</u>	<u>1,301,317</u>		<u>1,402,250</u>	<u>1,341,553</u>	<u>1,301,317</u>
1,402,250	1,341,553	1,301,317		1,402,250	1,341,553	1,301,317
1,566,895	1,500,645	1,478,109		1,566,895	1,500,645	1,478,109
LIABILITIES						
Current Liabilities						
127,329	123,687	125,343	26	127,329	123,687	125,343
10,783	921	9,444	27	10,783	921	9,444
178,519	171,787	168,910	28	178,519	171,787	168,910
692	676	677	29	692	676	677
<u>317,323</u>	<u>297,071</u>	<u>304,374</u>		<u>317,323</u>	<u>297,071</u>	<u>304,374</u>
Non-Current Liabilities						
104,983	115,766	115,766	27	104,983	115,766	115,766
2,957	2,731	1,847	28	2,957	2,731	1,847
300	315	315	29	300	315	315
<u>108,240</u>	<u>118,812</u>	<u>117,928</u>		<u>108,240</u>	<u>118,812</u>	<u>117,928</u>
425,563	415,883	422,302		425,563	415,883	422,302
1,141,332	1,084,762	1,055,807		1,141,332	1,084,762	1,055,807
EQUITY						
118,418	66,994	66,994		118,418	66,994	66,994
1,022,914	1,017,768	988,813		1,022,914	1,017,768	988,813
<u>1,141,332</u>	<u>1,084,762</u>	<u>1,055,807</u>		<u>1,141,332</u>	<u>1,084,762</u>	<u>1,055,807</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2014		988,813	66,994	1,055,807
Total Equity at 1 July 2014		988,813	66,994	1,055,807
Net Result for the year		34,101		34,101
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	51,424	51,424
Total Other Comprehensive Income		----	51,424	51,424
Total Comprehensive Income for the year		34,101	51,424	85,525
Balance at 30 June 2015		1,022,914	118,418	1,141,332
Balance at 1 July 2013		948,763	56,183	1,004,946
Total Equity at 1 July 2013		948,763	56,183	1,004,946
Net Result for the year		40,050		40,050
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	10,811	10,811
Total Other Comprehensive Income		----	10,811	10,811
Total Comprehensive Income for the year		40,050	10,811	50,861
Balance at 30 June 2014		988,813	66,994	1,055,807

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000		2015 \$000	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(1,112,440)	(1,127,663)	(1,074,212)
(140,890)	(139,800)	(135,883)		(140,890)	(139,800)	(135,883)
(10,977)	(10,949)	(11,666)		(10,977)	(10,949)	(11,666)
(1,780,348)	(1,795,751)	(1,724,892)		(667,908)	(668,088)	(650,680)
<u>(1,932,215)</u>	<u>(1,946,500)</u>	<u>(1,872,441)</u>		<u>(1,932,215)</u>	<u>(1,946,500)</u>	<u>(1,872,441)</u>
Receipts						
1,554,264	1,554,902	1,494,064		1,554,264	1,554,902	1,494,064
86,074	88,996	99,603		86,074	88,996	99,603
120	—	—		120	—	—
21,279	21,279	19,738		21,279	21,279	19,738
251,675	250,296	237,028		251,675	250,296	237,028
3,878	3,227	5,393		3,878	3,227	5,393
55,922	52,820	62,509		55,922	52,820	62,509
78,814	79,107	71,897		78,814	79,107	71,897
<u>2,052,026</u>	<u>2,050,627</u>	<u>1,990,232</u>		<u>2,052,026</u>	<u>2,050,627</u>	<u>1,990,232</u>
119,811	104,127	117,791	33	119,811	104,127	117,791
CASH FLOWS FROM INVESTING ACTIVITIES						
2,124	979	2,842		2,124	979	2,842
(122,842)	(113,039)	(120,024)		(122,842)	(113,039)	(120,024)
<u>(120,718)</u>	<u>(112,060)</u>	<u>(117,182)</u>		<u>(120,718)</u>	<u>(112,060)</u>	<u>(117,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(9,444)	(8,523)	(9,914)		(9,444)	(8,523)	(9,914)
<u>(9,444)</u>	<u>(8,523)</u>	<u>(9,914)</u>		<u>(9,444)</u>	<u>(8,523)</u>	<u>(9,914)</u>
(10,351)	(16,456)	(9,305)		(10,351)	(16,456)	(9,305)
120,790	120,790	130,095		120,790	120,790	130,095
<u>110,439</u>	<u>104,334</u>	<u>120,790</u>	19	<u>110,439</u>	<u>104,334</u>	<u>120,790</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary and Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																						
Operating Expenses																						
Employee Related	25,087	74,844	12,277	153,158	209,878	153,158	110,762	107,971	544,095	508,080	130,820	128,790	115,441	102,904	18,663	17,361	8,108	8,707				1,114,102
Visiting Medical Officers	173	1,518	303	5,864	6,113	5,864	18,018	19,191	57,242	52,406	4,987	4,485	4,631	4,328	497	508	96	72				91,876
Other Operating Expenses	18,423	26,855	3,798	80,449	92,873	80,449	62,560	63,510	258,642	248,114	32,187	35,402	43,010	40,823	6,787	6,173	3,210	2,683				520,039
Depreciation and Amortisation	809	3,412	393	11,988	11,988	10,352	7,621	8,237	34,800	33,617	6,035	6,545	7,990	7,119	741	737	247	371				70,624
Grants and Subsidies	1,740	1,457	256	811	811	650	58	68	798	1,012	2,135	1,578	594	521	433	433	134	200				6,017
Finance Costs	2	13	1	1,890	2,087	966	966	964	4,317	4,681	3,146	3,312	503	435		2	153	200				11,865
Payments to Affiliated Health Organisations	2,105	2,049	1	26,196	25,489	12,218	11,889	73,837	71,846						5,313	5,170						119,671
Total Expenses excluding losses	48,340	110,148	17,379	278,049	348,749	278,049	212,203	211,830	973,731	919,736	179,310	180,112	172,169	156,130	32,434	30,384	11,948	12,033				1,990,645
Revenue																						
NSW Ministry of Health Recurrent Allocations **																						
NSW Ministry of Health Capital Allocations **																						
Transfers to the NSW Ministry of Health																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	1,537	2,297	475	6,997	12,247	6,997	5,905	5,005	32,009	22,133	8,716	6,217	7,445	7,644	961	1,011	644	417				69,939
Sale of Goods and Services	771	682	385	52,806	28,123	52,806	3,756	2,018	155,643	122,544	9,806	6,884	48,198	50,289	785	261	1,457	86				248,924
Investment Revenue	287	39	14	1,246	281	1,246	60	93	2,154	2,651	130	203	439	1,124	105	16	428	6				235,783
Grants and Contributions	3,955	16,081	1,472	5,840	17,627	5,807	527	369	11,340	11,888	161	530	3,121	7,995	9,032	2,974	4,403	6,188				5,393
Other Revenue	43	321	89	1,002	1,871	1,871	280	585	6,959	6,309	657	953	1,581	2,406	63	135	357	47				57,652
Total Revenue	6,573	19,430	2,435	68,727	59,280	68,727	10,528	8,070	208,225	165,525	19,470	14,787	60,784	69,458	10,946	4,397	7,289	6,724				1,957,890
Gain / (Loss) on Disposal									(596)	(2,600)												(596)
Other Gains / (Losses)									(536)	561												(536)
Net Result	(41,767)	(90,718)	(8,326)	(201,675)	(209,322)	(201,675)	(201,675)	(203,760)	(766,628)	(756,250)	(159,840)	(165,325)	(111,385)	(86,672)	(21,488)	(25,987)	(4,659)	(5,309)				34,101
Other Comprehensive Income																						
Increase/(Decrease) in Revaluation Surplus	2,468	519	509	1,574	7,486	1,574	5,958	1,253	24,317	5,112	4,734	995	5,149	1,083	533	112	268	56				51,424
Total Other Comprehensive Income	2,468	519	509	1,574	7,486	1,574	5,958	1,253	24,317	5,112	4,734	995	5,149	1,083	533	112	268	56				51,424
Total Comprehensive Income	(39,299)	(90,199)	(7,817)	(202,748)	(202,748)	(202,748)	(195,717)	(202,507)	(742,311)	(751,138)	(155,106)	(164,330)	(106,236)	(85,589)	(20,955)	(25,875)	(4,391)	(5,253)				85,526

* The name and purpose of each service group is summarised in Note 18

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Hunter New England Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2015

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	2,682	6,945	596	1,094	19,404	17,531	11,773	13,356	54,022	57,989	9,948	11,356	9,552	9,844	1,799	1,916	663	759			110,439	120,790
Receivables	152	150	76	44	5,548	11,461	741	438	30,705	26,597	1,935	1,494	9,509	10,915	155	57	287	19			48,108	51,175
Inventories	90	120	11	16	455	361	307	285	1,267	1,113	158	159	211	183	33	28	16	12			2,548	2,277
Non-Current Assets Held for Sale	29	122	14	27	433	371	275	295	1,257	1,206	218	235	288	255	27	26	9	13			2,550	2,550
Total Current Assets	2,953	7,337	697	1,181	25,840	29,724	13,096	14,374	87,251	86,905	12,269	13,244	19,560	21,197	2,014	2,027	975	803			164,645	176,792
Non-Current Assets																						
Property, Plant and Equipment																						
- Land and Buildings	13,907	54,253	6,767	11,151	206,119	164,592	131,036	130,955	598,322	534,488	103,754	104,055	137,364	113,185	12,734	11,710	4,241	5,899			1,214,244	1,130,286
- Plant and Equipment	1,235	4,411	601	908	18,307	13,383	11,639	10,648	53,143	43,461	9,215	8,461	12,201	9,203	1,131	952	377	480			107,849	91,907
- Infrastructure Systems	876	3,614	428	745	12,989	10,965	8,258	8,724	37,705	35,608	6,598	6,932	8,657	7,540	802	780	267	393			76,520	75,301
- Leasehold Improvements	42	183	21	37	617	556	392	443	1,792	1,807	311	352	411	383	38	40	13	20			3,637	3,821
Total Non-Current Assets	16,060	62,461	7,817	12,841	238,032	189,496	151,326	150,770	690,962	615,364	119,818	119,800	158,633	130,311	14,705	13,482	4,898	6,792			1,402,250	1,301,317
TOTAL ASSETS	19,013	69,798	8,514	14,022	263,872	219,220	164,421	165,144	778,213	702,269	132,077	133,044	178,193	151,508	16,719	15,509	6,873	7,595			1,566,895	1,478,109
LIABILITIES																						
Current Liabilities																						
Payables	4,511	6,629	573	938	22,740	19,857	15,318	15,676	63,327	61,243	7,881	8,738	10,531	10,076	1,662	1,524	786	662			127,329	125,343
Borrowings	262	543	57	85	1,895	1,371	1,149	1,044	5,275	4,534	971	889	933	770	176	150	65	59			10,783	9,444
Provisions	3,826	11,347	1,166	1,862	32,010	23,220	16,893	16,370	82,983	77,032	19,952	19,526	17,606	15,601	2,846	2,632	1,237	1,320			178,519	168,910
Other	17	39	4	6	122	98	74	75	338	325	62	64	60	55	11	11	4	4			692	677
Total Current Liabilities	8,616	18,558	1,800	2,891	56,767	44,546	33,434	33,165	151,923	143,134	28,866	29,216	29,130	26,502	4,695	4,317	2,092	2,045			317,323	304,374
Non-Current Liabilities																						
Borrowings	2,549	6,656	566	1,050	18,445	16,802	11,191	12,800	51,353	55,577	9,456	10,884	9,080	9,434	1,711	1,836	630	727			104,983	115,766
Provisions	63	124	20	20	530	254	280	179	1,375	842	330	214	292	171	47	29	20	14			2,957	1,847
Other	7	18	1	2	53	46	32	35	147	151	27	30	26	26	5	5	2	2			300	315
Total Non-Current Liabilities	2,619	6,798	589	1,072	19,028	17,102	11,503	13,014	52,875	56,570	9,813	11,128	9,398	9,631	1,763	1,870	652	743			108,240	117,928
TOTAL LIABILITIES	11,235	25,356	2,389	3,963	75,795	61,648	44,937	46,179	204,798	199,704	38,679	40,344	38,528	36,133	6,458	6,187	2,744	2,788			425,563	422,302
NET ASSETS	7,778	44,442	6,126	10,059	186,077	157,572	119,484	118,965	573,415	502,565	93,398	92,700	139,665	115,375	10,261	9,322	3,129	4,807			1,141,332	1,055,807

* The name and purpose of each service group is summarised in Note 18

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

1. The Reporting Entity

The Hunter New England Local Health District (the HNELHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The HNELHD 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 notes 17 and 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Hunter New England Local Health District Special Purpose Service Entity which was established as a Division of the HNELHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the HNELHD to exercise its functions.

As a consequence the values in the annual 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.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The HNELHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2015 have been authorised for issue by the Chief Executive on 9 September 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The HNELHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(aa).

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

The Secretary of Health, the Chair of Hunter New England 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 HNELHD'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 HNELHD fails to meet Service Agreement performance standards, the 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 Ministry.

Other circumstances why the going concern is appropriate include:

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

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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.

Statement of Compliance

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

Significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2015 (comparable on-costs for 30 June 2014 were 16.5%). The HNELHD has assessed the actuarial advice based on the HNELHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The HNELHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the HNELHD as shown in Note 28.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

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

iv) Other Provisions

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

b) Insurance

The HNELHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the HNELHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

Patient Fees

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

High Cost Drugs

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

Motor Accident Authority Third Party

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

Department of Veterans' Affairs

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the HNELHD's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Use of Hospital Facilities

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

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

Use of Outside Facilities

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

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

Grants and Contributions

Grants and contributions are recognised as revenues when the HNELHD obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the HNELHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

e) 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 HNELHD 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.

f) Interstate Patient Flows

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

g) Acquisition of Assets

Assets acquired are initially recognised at cost. 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.

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 2(x)).

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

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

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

h) Capitalisation Thresholds

Individual items of Property, Plant & Equipment are capitalised where their cost is \$10,000 or above.

i) Depreciation of Property, Plant and Equipment

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

	2015	2014
Buildings	2.5%	2.5%
Electro Medical Equipment		
- Costing less than \$200,000	10.0%	10.0%
- Costing more than or equal to \$200,000	12.5%	12.5%
Computer Equipment	20.0%	20.0%
Infrastructure Systems	2.5%	2.5%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20.0%	20.0%
Office Equipment	10.0%	10.0%
Plant and Machinery	10.0%	10.0%
Linen	25.0%	25.0%
Furniture, Fittings and Furnishings	5.0%	5.0%

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

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

j) Revaluation of Non-Current Assets

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

Property, plant and equipment is measured at the highest and best use by market 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 Note 22 and Note 24 for further information regarding fair value.

The HNELHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the HNELHD was completed at 1 July 2013 and was based on an independent assessment.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

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

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

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

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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

k) Impairment of Property, Plant and Equipment

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

l) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

m) Non-Current Assets (or disposal groups) Held for Sale

The HNELHD has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

n) Maintenance

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

o) Leased Assets

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

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

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

p) Inventories

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable, for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

q) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

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

r) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The HNELHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* The HNELHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the HNELHD's key management personnel.

The risk management strategy of the HNELHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act.

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

- * Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the HNELHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

- * Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the HNELHD commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

s) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

t) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the HNELHD transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the HNELHD has not transferred substantially all the risks and rewards, if the HNELHD has not retained control.

Where the HNELHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the HNELHD's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

u) Payables

These amounts represent liabilities for goods and services provided to the HNELHD and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

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

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

v) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117, Leases.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

w) Fair Value Hierarchy

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

- * Level 1 - quoted 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 HNELHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 24 and Note 37 for further disclosures regarding fair value measurements of financial and non-financial assets.

x) Equity Transfers

The transfer of net assets between entities is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

y) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the HNELHD's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

(iii) Separate Reserves

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

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

z) Trust Funds

The HNELHD receives monies in a trustee capacity for various trusts as set out in Note 31.

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

aa) Adjusted Budgeted Amounts

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

ab) Emerging Asset

The HNELHD's emerging interest in the Mater Public Private Partnership has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the HNELHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.6% at commencement of the concession period.

ac) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 18.

Income and expenses are allocated to service groups using statistical data for the twelve months ending 30 June 2014, then adjusted for any material change in service delivery or funding distribution occurring in the 2014-15 financial year.

In respect of assets and liabilities, the HNELHD identifies those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

ad) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2014-15 and have been applied for the first time as follows:

AASB 10 Consolidated Financial Statements, AASB 2011-7, and AASB 2013-8 Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014.

Following an assessment of the applicable new accounting standards mentioned above in relation to consolidation and joint arrangements, HNELHD management is of the opinion that the financial statements prepared within include:

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. This standard is not applicable to HNELHD as individual budgets are not presented in parliament. Refer note 2(aa) on how HNELHD derives its adjusted budgetary information.

(ii) Issued but not yet effective

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

AASB 9, Financial Instruments, has application from 1 January 2018. The standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 15 and AASB 2014-5, Revenue from Contracts with Customers has application from 1 January 2017. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2014-3, Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. This amending standard clarifies the treatment of expensing all acquisition-related costs, and recognition of share in a joint operation according to the contractual arrangements. This standard is applicable from 1 January 2016.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

AASB 2014-4, Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, has application from 1 January 2016. The change will take into account the expected future reductions in the selling price when accounting for useful life.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 Jan 2018. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-8, Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] has application from 1 Jan 2015. This update limits the application of the existing versions of AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-9, Amendments to Australian Accounting Standards – It gives entities the choice of using the Equity Method for their subsidiaries in their separate financial statements [AASB 1, 127 & 128]. It has application from 1 January 2016.

AASB 2014-10, Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]. This has application from 1 January 2016.

AASB 2015-01, Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]. This has application from 1 January 2016.

AASB 2015-02, Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049] require entities to disclose significant accounting policies and other explanatory information in a more detailed manner rather than a summary as previously done. This application takes place from 1 January 2016.

AASB 2015-03, Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality from 1 July 2015. It is expected that the withdrawal of AASB 1031 will not change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

AASB 2015-5, Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128], has application from 1 January 2016. This standard is unlikely to have any impact on this entity as the exceptions would be hard to satisfy.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard could potentially increase the level of disclosure required for not for profit entities where delegated power exists for senior officers of the entity.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	744,981	718,703
----	----	Overtime	28,340	27,488
----	----	Penalties	67,740	65,448
----	----	Superannuation - Defined Benefit Plans	13,522	14,638
----	----	Superannuation - Defined Contribution Plans	84,567	79,205
----	----	Long Service Leave	60,178	40,791
----	----	Annual Leave	98,217	93,458
----	----	Sick Leave and Other Leave	58,721	56,435
----	----	Redundancies	1,725	4,224
----	----	Workers' Compensation Insurance	12,055	13,522
----	----	Fringe Benefits Tax	453	190
-----	-----		<u>1,170,499</u>	<u>1,114,102</u>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	708	188
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
744,981	718,703	Salaries and Wages	----	----
28,340	27,488	Overtime	----	----
67,740	65,448	Penalties	----	----
84,567	79,205	Superannuation - Defined Contribution Plans	----	----
3,761	2,771	Long Service Leave	----	----
98,217	93,458	Annual Leave	----	----
58,721	56,435	Sick Leave and Other Leave	----	----
1,725	4,224	Redundancies	----	----
12,055	13,522	Workers' Compensation Insurance	----	----
453	190	Fringe Benefits Tax	----	----
<u>1,100,560</u>	<u>1,061,444</u>		<u>-----</u>	<u>-----</u>
The following additional information is provided:				
708	188	Personnel Services Expenses Capitalised - Land and Buildings	----	----
5. Other Operating Expenses				
192	582	Advertising	192	582
226	221	Auditor's Remuneration - Audit of Financial Statements	226	221
9,404	7,986	Blood and Blood Products	9,404	7,986
85	252	Consultancies - Capital Works	85	252
133	408	Consultancies - Other	133	408
19,892	19,267	Domestic Supplies and Services	19,892	19,267
52,682	50,526	Drug Supplies	52,682	50,526
87,914	85,878	Food Supplies	87,914	85,878
14,415	16,081	Fuel, Light and Power	14,415	16,081
20,772	18,586	Hospital Ambulance Transport Costs	20,772	18,586
18,060	16,330	Information Management Expenses	18,060	16,330
2,849	3,081	Insurance	2,849	3,081
52,745	51,973	Maintenance (See (b) below)	52,745	51,973
83,779	78,558	Medical and Surgical Supplies	83,779	78,558
5,114	5,381	Motor Vehicle Expenses	5,114	5,381
5,754	6,010	Postal and Telephone Costs	5,754	6,010
4,748	4,543	Printing and Stationery	4,748	4,543
2,478	2,363	Rates and Charges	2,478	2,363
6,780	6,791	Rental	6,780	6,791
77,224	80,241	Special Service Departments	77,224	80,241
10,042	8,869	Staff Related Costs	10,042	8,869
11,508	11,054	Travel Related Costs	11,508	11,054
<u>33,243</u>	<u>32,826</u>	Other (See (a) below)	<u>33,243</u>	<u>32,826</u>
<u>520,039</u>	<u>507,807</u>		<u>520,039</u>	<u>507,807</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		(a) Other Includes:		
8,685	8,115	Corporate Support Services	8,685	8,115
1,196	1,654	Courier and Freight	1,196	1,654
4,117	3,405	Isolated Patient Travel and Accommodation Assistance Scheme	4,117	3,405
91	511	Legal Services	91	511
908	746	Membership/Professional Fees	908	746
3,260	3,687	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,260	3,687
5,371	5,495	Public Private Partnership Contracted Services	5,371	5,495
1,105	1,153	Other Operating Lease Expense - Minimum Lease Payments	1,105	1,153
387	326	Quality Assurance/Accreditation	387	326
969	850	Security Services	969	850
7,154	6,884	Other Miscellaneous	7,154	6,884
<u>33,243</u>	<u>32,826</u>		<u>33,243</u>	<u>32,826</u>
		(b) Reconciliation of Total Maintenance		
12,143	12,602	Maintenance Contracts	12,143	12,602
23,606	23,457	New/Replacement Equipment under \$10,000	23,606	23,457
17,327	15,914	Repairs Maintenance/Non Contract	17,327	15,914
(331)	---	Other	(331)	---
52,745	51,973	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	52,745	51,973
9,217	8,852	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	9,217	8,852
<u>61,962</u>	<u>60,825</u>	Total Maintenance Expenses	<u>61,962</u>	<u>60,825</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
48,062	48,205	Depreciation - Buildings	48,062	48,205
18,513	18,954	Depreciation - Plant and Equipment	18,513	18,954
3,722	3,666	Depreciation - Infrastructure Systems	3,722	3,666
327	266	Amortisation - Leasehold Improvements	327	266
<u>70,624</u>	<u>71,091</u>		<u>70,624</u>	<u>71,091</u>
7. Grants and Subsidies				
5,325	5,430	Non-Government Organisations	5,325	5,430
1,402	497	Grants to Research Organisations	1,402	497
219	55	Grant Payments to Other NSW Health Entities	219	55
13	35	Other Grants	13	35
<u>6,959</u>	<u>6,017</u>		<u>6,959</u>	<u>6,017</u>
8. Finance Costs				
10,949	11,591	Calvary PPP Interest Charges	10,949	11,591
28	74	Interest on Loans	28	74
<u>10,977</u>	<u>11,665</u>		<u>10,977</u>	<u>11,665</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
118,527	115,362	Calvary Mater Newcastle	118,527	115,362
<u>118,527</u>	<u>115,362</u>		<u>118,527</u>	<u>115,362</u>
(b) Capital Sourced				
1,144	1,082	Calvary Mater Newcastle	1,144	1,082
<u>1,144</u>	<u>1,082</u>		<u>1,144</u>	<u>1,082</u>
<u>119,671</u>	<u>116,444</u>		<u>119,671</u>	<u>116,444</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
615	1,146	Pharmacy Sales	615	1,146
7,466	6,508	Sale of Prosthesis	7,466	6,508
1,064	656	Other	1,064	656
(b) Rendering of Services comprise the following:-				
		Patient Fees		
92,455	88,185	- Inpatient Fees	92,455	88,185
2,235	2,257	- Nursing Home Fees	2,235	2,257
4,824	3,075	- Non Inpatient Fees	4,824	3,075
27,122	29,495	Department of Veterans' Affairs	27,122	29,495
360	396	Staff-Meals and Accommodation	360	396
25,050	24,847	Infrastructure Fees - Monthly Facility Charge	25,050	24,847
5,725	6,160	- Annual Charge	5,725	6,160
6,120	5,842	Car Parking	6,120	5,842
1,083	1,009	Child Care Fees	1,083	1,009
7,599	6,750	Clinical Services (excluding Clinical Drug Trials)	7,599	6,750
4,459	3,947	Commercial Activities	4,459	3,947
362	300	Fees for Medical Records	362	300
15	9	Information Retrieval	15	9
19,824	17,435	High Cost Drugs	19,824	17,435
----	108	Meals on Wheels	----	108
20,371	15,671	Motor Accident Authority Third Party	20,371	15,671
73	----	Patient Transport Fees	73	----
527	576	Private Use of Motor Vehicles	527	576
858	893	Salary Packaging Fee	858	893
4,545	4,963	Services Provided to Non NSW Health Organisations	4,545	4,963
4,544	4,399	Multi Purpose Service Centre Fees	4,544	4,399
11,628	11,156	Other	11,628	11,156
<u>248,924</u>	<u>235,783</u>		<u>248,924</u>	<u>235,783</u>
11. Investment Revenue				
3,878	5,393	Interest	3,878	5,393
<u>3,878</u>	<u>5,393</u>		<u>3,878</u>	<u>5,393</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
12. Grants and Contributions				
851	924	Clinical Drug Trials	851	924
21,253	26,013	Commonwealth Government Grants	21,253	26,013
4,945	6,274	Industry Contributions/Donations	4,945	6,274
8,629	8,299	Cancer Institute Grants	8,629	8,299
5,854	7,720	NSW Government Grants	5,854	7,720
5,421	3,687	Grants from Other NSW Health Entities	5,421	3,687
1,485	1,717	Research Grants	1,485	1,717
3,200	3,018	Other Grants	3,200	3,018
51,638	57,652		51,638	57,652
13. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	13,522	14,638
-----	-----	Long Service Leave	56,417	38,020
-----	-----		69,939	52,658
14. Other Revenue				
Other Revenue comprises the following:-				
1	-----	Bad Debts Recovered	1	-----
412	438	Commissions	412	438
844	650	Conference and Training Fees	844	650
292	262	Insurance Refunds	292	262
1,957	1,830	Lease and Rental Income	1,957	1,830
-----	8,140	Property not Previously Recognised	-----	8,140
91	80	Sale of Merchandise, Old Wares and Books	91	80
49	52	Sponsorship Income	49	52
5,171	(1,377)	Treasury Managed Fund Hindsight Adjustment	5,171	(1,377)
2,214	2,662	Other	2,214	2,662
11,031	12,737		11,031	12,737

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		15. Gain / (Loss) on Disposal		
19,146	31,526	Property, Plant and Equipment	19,146	31,526
<u>16,436</u>	<u>26,085</u>	Less: Accumulated Depreciation	<u>16,436</u>	<u>26,085</u>
2,710	5,441	Written Down Value	2,710	5,441
2,124	2,841	Less: Proceeds from Disposal	2,124	2,841
<u>(586)</u>	<u>(2,600)</u>	Gain/(Loss) on Disposal of	<u>(586)</u>	<u>(2,600)</u>
		Property, Plant and Equipment		
<u>(586)</u>	<u>(2,600)</u>	Total Gain/(Loss) on Disposal	<u>(586)</u>	<u>(2,600)</u>
		16. Other Gains / (Losses)		
(536)	561	Impairment of Receivables	(536)	561
<u>(536)</u>	<u>561</u>		<u>(536)</u>	<u>561</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT & CONSOLIDATION

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	2,926	11,500	5,511	19,937
Contributions recognised in previous years which were not expended in the current reporting period	8,285	28,304	11,088	47,677
Total amount of unexpended contributions as at reporting date	11,211	39,804	16,599	67,614

Comment on restricted assets appears in Note 25

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

18. Service Groups of the HNELHD

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. This program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that are used by all members of the community.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

Service Description: This service group covers the provision of services in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		19. Cash and Cash Equivalents		
58,189	34,240	Cash at Bank and On Hand	58,189	34,240
<u>52,250</u>	<u>86,550</u>	Short Term Deposits	<u>52,250</u>	<u>86,550</u>
<u>110,439</u>	<u>120,790</u>		<u>110,439</u>	<u>120,790</u>
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>110,439</u>	<u>120,790</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>110,439</u>	<u>120,790</u>
<u>110,439</u>	<u>120,790</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>110,439</u>	<u>120,790</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		20. Receivables		
		Current		
25,350	24,192	Sale of Goods and Services	25,350	24,192
6,961	5,990	Intra Health Receivables	6,961	5,990
12,344	12,297	Goods and Services Tax	12,344	12,297
4,430	5,414	Other Debtors	4,430	5,414
<u>49,085</u>	<u>47,893</u>	Sub Total	<u>49,085</u>	<u>47,893</u>
(1,845)	(1,666)	Less Allowance for Impairment	(1,845)	(1,666)
47,240	46,227	Sub Total	47,240	46,227
1,868	4,948	Prepayments	1,868	4,948
<u>49,108</u>	<u>51,175</u>		<u>49,108</u>	<u>51,175</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(1,447)	(1,153)	Balance at Commencement of Reporting Period	(1,447)	(1,153)
334	472	Amounts written off during the period	334	472
(615)	(766)	(Increase)/decrease in Allowance Recognised in the Net Result	(615)	(766)
(1,728)	(1,447)	Balance at 30 June	(1,728)	(1,447)
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(219)	(2,353)	Balance at Commencement of Reporting Period	(219)	(2,353)
23	807	Amounts written off during the period	23	807
79	1,327	(Increase)/decrease in Allowance Recognised in the Net Result	79	1,327
(117)	(219)	Balance at 30 June	(117)	(219)
<u>(1,845)</u>	<u>(1,666)</u>		<u>(1,845)</u>	<u>(1,666)</u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
2,268	2,163	Patient Fees - Compensable	2,268	2,163
1,405	1,244	Patient Fees - Ineligible	1,405	1,244
15,178	14,502	Patient Fees - Inpatient & Other	15,178	14,502
<u>18,851</u>	<u>17,909</u>		<u>18,851</u>	<u>17,909</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT

CONSOLIDATION

2015
\$000

2014
\$000

2015
\$000

2014
\$000

21. Inventories

2,548 2,277
2,548 **2,277**

Drugs

2,548 2,277
2,548 **2,277**

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,322,017	2,142,771	Gross Carrying Amount	2,322,017	2,142,771
<u>1,107,773</u>	<u>1,012,483</u>	Less: Accumulated Depreciation and Impairment	<u>1,107,773</u>	<u>1,012,483</u>
<u>1,214,244</u>	<u>1,130,288</u>	Net Carrying Amount	<u>1,214,244</u>	<u>1,130,288</u>
Plant and Equipment - Fair Value*				
235,211	217,191	Gross Carrying Amount	235,211	217,191
<u>127,362</u>	<u>125,284</u>	Less: Accumulated Depreciation and Impairment	<u>127,362</u>	<u>125,284</u>
<u>107,849</u>	<u>91,907</u>	Net Carrying Amount	<u>107,849</u>	<u>91,907</u>
Infrastructure Systems - Fair Value				
155,145	146,636	Gross Carrying Amount	155,145	146,636
<u>78,625</u>	<u>71,335</u>	Less: Accumulated Depreciation and Impairment	<u>78,625</u>	<u>71,335</u>
<u>76,520</u>	<u>75,301</u>	Net Carrying Amount	<u>76,520</u>	<u>75,301</u>
Leasehold Improvements - Fair Value*				
6,066	5,923	Gross Carrying Amount	6,066	5,923
<u>2,429</u>	<u>2,102</u>	Less: Accumulated Depreciation and Impairment	<u>2,429</u>	<u>2,102</u>
<u>3,637</u>	<u>3,821</u>	Net Carrying Amount	<u>3,637</u>	<u>3,821</u>
<u>1,402,250</u>	<u>1,301,317</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,402,250</u>	<u>1,301,317</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Net Carrying Amount at Start of Year	113,100	1,017,188	91,907	75,301	3,821	1,301,317
Additions	2,000	82,317	32,812	1,166	143	118,438
Disposals	52	---	(2,762)	---	---	(2,710)
Transfers to NSW Health Entities through Statement of Comprehensive Income	---	---	4,405	---	---	4,405
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	4,009	43,640	---	3,775	---	51,424
Depreciation Expense	---	(48,062)	(18,513)	(3,722)	(327)	(70,624)
Net Carrying Amount at End of Year	119,161	1,095,083	107,849	76,520	3,637	1,402,250

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2014						
Net Carrying Amount at Start of Year	108,645	970,776	82,018	72,682	3,924	1,238,045
Additions	2,743	108,244	17,919	687	(98)	129,495
Disposals	---	(774)	(4,667)	---	---	(5,441)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,712	2,999	---	5,598	---	10,309
Depreciation Expense	---	(48,205)	(18,954)	(3,666)	(266)	(71,091)
Reclassifications	---	(15,852)	15,591	---	261	---
Net Carrying Amount at End of Year	113,100	1,017,188	91,907	75,301	3,821	1,301,317

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the HNELHD [see note 2(g)].
- (ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 2 (j).

The following table details the indices applied to Non Current Assets as determined by Corporeal Pty Ltd, Property Valuers and Consultants :

Year	Land	Buildings	Infrastructure Systems
2013/14	2.54%	3.00%	3.00%
2014/15	1.26%	2.00%	2.00%

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
23. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
<u>2,550</u>	<u>2,550</u>	Land and Buildings	<u>2,550</u>	<u>2,550</u>
<u>2,550</u>	<u>2,550</u>		<u>2,550</u>	<u>2,550</u>

The non-current assets held for sale constitute assets that are surplus to requirements and are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

The balance in non-current assets held for sale relates to a parcel of land on the John Hunter campus. The contract for sale of the land exchanged on 28 June 2013 with a settlement date within three years.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June

a) Fair Value Hierarchy

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	26,163	996,969	1,023,132
- Infrastructure Systems	----	----	76,520	76,520
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	----	2,550	----	2,550
	-----	<u>28,713</u>	<u>1,073,489</u>	<u>1,102,202</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	178,096	952,192	1,130,288
- Infrastructure Systems	----	----	75,301	75,301
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	----	2,550	----	2,550
	-----	<u>180,646</u>	<u>1,027,493</u>	<u>1,208,139</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

Work in Progress is carried at cost, therefore excluded from figures above and as a result will not agree to to Note 22.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the HNELHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Corporeal Pty Ltd, Property Valuers and Consultants at 1 July 2013. Corporeal Pty Ltd, Property Valuers and Consultants is an independent entity and is not an employee of the HNELHD.

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 22 reconciliation.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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 valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

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

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

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Level 3 significant valuation inputs and relationship to fair value:

The valuation of buildings was computed by suitably qualified independent valuers using a methodology known as the depreciated replacement cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

Assets	Valuation Technique	Significant Unobservable Inputs	Relationship between unobservable inputs and fair value measurement
Land	Market approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning)	<ul style="list-style-type: none"> ▪ Rate per square metre ▪ Discount rate ▪ Provision for remediation 	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> ▪ Rate per square metre increases/(decreases) ▪ Discount rate decreases/(increases) ▪ Provision for remediation decreases/(increases)
Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> ▪ Useful life assessment ▪ Replacement cost per square metre 	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)
Non-Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> ▪ Useful life assessment ▪ Replacement cost per square metre 	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)
Infrastructure Systems	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.	<ul style="list-style-type: none"> ▪ Useful life assessment ▪ Replacement cost per square metre 	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2015	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	952,192	75,301	1,027,493
Additions	2,426	1,166	3,592
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	46,337	3,775	50,112
Transfers from Level 2	43,717	----	43,717
Disposals	(68)	----	(68)
Depreciation	(47,635)	(3,722)	(51,357)
Fair value as at 30 June 2015	<u>996,969</u>	<u>76,520</u>	<u>1,073,489</u>
2014	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	985,798	72,682	1,058,480
Additions	8,755	687	9,442
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	5,347	5,598	10,945
Disposals	(774)	----	(774)
Depreciation	(46,934)	(3,666)	(50,600)
Fair value as at 30 June 2014	<u>952,192</u>	<u>75,301</u>	<u>1,027,493</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT

CONSOLIDATION

**2015
\$000**

**2014
\$000**

**2015
\$000**

**2014
\$000**

25. Restricted Assets

The HNELHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

Category

11,211	12,038	Specific Purposes	11,211	12,038
15	18	Perpetually Invested Funds	15	18
17,319	22,399	Research Grants	17,319	22,399
22,469	20,543	Private Practice Funds	22,469	20,543
16,600	14,644	General Donations	16,600	14,644
<hr/> 67,614 <hr/>	<hr/> 69,642 <hr/>		<hr/> 67,614 <hr/>	<hr/> 69,642 <hr/>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		26. Payables		
		Current		
		Accrued Salaries, Wages and On-Costs	30,850	27,404
		Taxation and Payroll Deductions	2,470	6,323
33,320	33,727	Accrued Liability - Purchase of Personnel Services	---	---
35,506	41,448	Creditors	35,506	41,448
		Other Creditors		
709	800	- Capital Works	709	800
14,310	13,105	- Intra Health Liability	14,310	13,105
43,484	36,263	- Other	43,484	36,263
127,329	125,343		127,329	125,343

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

		27. Borrowings		
		Current		
123	118	Other Loans and Deposits	123	118
10,660	9,326	Public Private Partnership	10,660	9,326
10,783	9,444		10,783	9,444
		Non-Current		
470	593	Other Loans and Deposits	470	593
104,513	115,173	Public Private Partnership	104,513	115,173
104,983	115,766		104,983	115,766

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

Final repayment is scheduled for December 2019 for other loans and deposits.

Final repayment to Novacare for Calvary Mater Newcastle Hospital Public Private Partnership is 2033/34.

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
28. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	107,046	100,060
----	----	Annual Leave - Long Term Benefit	47,569	47,739
----	----	Long Service Leave Consequential On-Costs	23,904	21,111
178,519	168,910	Provision for Personnel Services Liability	----	----
178,519	168,910	Total Current Provisions	178,519	168,910
Non-Current				
----	----	Long Service Leave Consequential On-Costs	2,079	1,111
878	736	Other	878	736
2,079	1,111	Provision for Personnel Services Liability	----	----
2,957	1,847	Total Non-Current Provisions	2,957	1,847
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	178,519	168,910
----	----	Provisions - Non-Current	2,079	1,111
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	33,320	33,727
213,918	203,748	Liability - Purchase of Personnel Services	----	----
213,918	203,748		213,918	203,748
29. Other Liabilities				
Current				
692	677	Income in Advance	692	677
692	677		692	677
Non-Current				
300	315	Income in Advance	300	315
300	315		300	315

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		30. Commitments for Expenditure		
		(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:		
		Not later than one year	15,717	75,988
15,717	75,988	Later than one year and not later than five years	1,903	1,461
1,903	1,461	Later than five years	-----	-----
-----	-----		-----	-----
<u>17,620</u>	<u>77,449</u>	Total Capital Expenditure Commitments (Including GST)	<u>17,620</u>	<u>77,449</u>
		Of the commitments reported at 30 June 2015 it is expected that \$470K will be met from locally generated moneys.		
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	5,406	8,258
5,406	8,258	Later than one year and not later than five years	12,576	14,369
12,576	14,369	Later than five years	20,311	22,804
20,311	22,804		-----	-----
-----	-----		-----	-----
<u>38,293</u>	<u>45,431</u>	Total Operating Lease Commitments (Including GST)	<u>38,293</u>	<u>45,431</u>
		The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$55.9M million as at 30 June 2015 includes input tax credits of \$5.1M that are expected to be recoverable from the Australian Taxation Office (2014 \$11.2M).		

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT		CONSOLIDATION	
2015	2014	2015	2014
\$000	\$000	\$000	\$000

(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)

In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, NovaCare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment was completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.

When Stage 1 construction was completed in January 2008, the former Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition was based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either the former HNEAHS or the Ministry of Health. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.

The former HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.

In addition, the former Hunter New England Area Health Service recognised the liability to NovaCare, payable over the period to 2033, for the construction of both hospitals. The liability transferred from the former HNEAHS to the HNELHD on 1 January 2011.

An estimate of the commitments is as follows:

(i) Minimum lease payment commitments in relation to finance

23,826	23,637	Not later than one year	23,826	23,637
73,197	88,455	Later than one year and not later than five years	73,197	88,455
137,919	146,486	Later than five years	137,919	146,486
234,942	258,578	Minimum Lease Payments	234,942	258,578
(108,251)	(121,629)	Less: Future Finance Charges	(108,251)	(121,629)
126,691	136,949	Present Value of Minimum Lease Payments (including GST)	126,691	136,949

(ii) The present value of finance lease commitment is as

11,726	10,259	Not later than one year	11,726	10,259
39,165	49,242	Later than one year and not later than five years	39,165	49,242
75,800	77,448	Later than five years	75,800	77,448
126,691	136,949	Present Value of Minimum Lease Payments (including GST)	126,691	136,949

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$11.5M are expected to be recoverable from the Australian Taxation Office (2014 \$12.5M).

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT AND CONSOLIDATION

31. Trust Funds

The HNELHD holds trust funds of \$3.6 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 HNELHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the beginning of the financial year	1,443	1,507	340	328	1,050	1,252	2,833	3,087
Income	202	284	5	36	43,934	43,277	44,141	43,597
Expenses	(743)	(348)	(95)	(24)	(42,556)	(43,479)	(43,394)	(43,851)
Balance at the end of the financial year	902	1,443	250	340	2,428	1,050	3,580	2,833

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT AND CONSOLIDATED

32. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2009/10 fund year and an interim adjustment for the 2011/12 fund year were not calculated until 2014/15.

As a result, the 2010/11 final and 2012/13 adjustments pertaining to the hospitals and community services now forming part of the Hunter will be paid in 2015/16. It is not possible for the Hunter to reliably quantify the benefit to be received or amount payable.

b) Calvary Mater Hospital Public Private Partnership (PPP)

The liability to pay Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving CPI-linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI-linked interest component over the project term. The estimated value of the contingent liability or contingent asset is unable to be fully determined because of uncertain future events.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
119,811	117,791	Net Cash Flows from Operating Activities	119,811	117,791
(70,624)	(71,091)	Depreciation	(70,624)	(71,091)
(536)	561	Allowance for Impairment	(536)	561
1	(388)	(Increase)/ Decrease Income in Advance	1	(388)
(10,719)	(6,987)	(Increase)/ Decrease in Provisions	(10,719)	(6,987)
(1,242)	4,155	Increase / (Decrease) in Prepayments and Other Assets	(1,242)	4,155
(2,004)	(10,360)	(Increase)/ Decrease in Payables from Operating Activities	(2,004)	(10,360)
(586)	(2,600)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(586)	(2,600)
-----	8,969	Assets donated or brought to account for the first time	-----	8,969
34,101	40,050	Net Result	34,101	40,050

34. 2014/15 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the HNELHD. Services provided include:

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

35. Unclaimed Monies

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

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

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT AND CONSOLIDATION

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$5 million, primarily due to:

Expenses \$1M favourable

Employee related expenses, including VMO's, is Hunter New England Local Health District's largest category of expenditure and was \$2M over budget. The main focus continues to be reducing premium labour costs such as overtime and locum costs. Offsetting this was Other Operating costs that were \$5M favourable to budget and this reflects improved performance around procurement. Expenditure associated with Grants was \$1M above budget and this was supported by additional Grant revenue in excess of budget;

Income \$4M favourable

Grant revenue was \$3M favourable and a portion of this favourability offset unfavourability in grant expenses. There was also \$5m favourability related to infrastructure fee revenue, offsetting \$4M unfavourability in Government Payments which is mainly attributed to timing of funding received for capital projects.

Assets and Liabilities

Current assets are above budget by \$6M.

This is primarily due to cash of \$6M above budget.

Non Current Assets are above budget by \$61M

This is due to the \$51M from the application of asset revaluation indices for Land, Buildings & Infrastructure not being budgeted and higher than budget Plant & Equipment purchases.

Current Liabilities are \$20M above budget

Primarily due to the unbudgeted Annual Leave actuarial adjustment \$7M, Creditors \$4M above budget and borrowings of \$10M higher than budget due to timing differences between budget and actual.

Non Current Liabilities are \$11M below budget

Primarily due to timing differences between budget and actual offsetting the unfavourability in current liabilities.

Cash Flows

Net increase in cash was \$6M above budget, arising from Operating Activity of \$16M above budget being offset by Investing Activities being \$9M below budget and Financing Activities of \$1M below budget.

Employee related expense favourability of \$15M was the main reason in the Operating Activity being above budget with Purchases of Property, Plant & Equipment of \$10M more than budget the main item in Investing Activities unfavourability.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/07/2014 are as follows:

	\$000
Initial Allocation, including escalation, excluding award	1,517,646
Award Increases	1,981
Superannuation funding adjustment	5,561
Special Projects	
Public Dental Waiting Lists	8,409
Other special projects	4,336
Other	
PAYG Tax Budget Supplementation	5,800
Rotary Wing Reform	2,401
Voluntary Redundancy	1,036
Nursing and Midwifery enhancements	824
NSW RGTP and GPPTP	950
Rural Doctors - Obstetric and Anaesthetic Incentive Grants	915
IPTAAS	800
Mater PPP	352
Other Misc	3,891
	<hr/>
Balance as per Statement of Comprehensive Income	1,554,902
	<hr/> <hr/>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

37. Financial Instruments

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

The HNELHD's main risks arising from financial instruments are outlined below, together with the HNELHD'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 risk faced by the HNELHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2015 \$000	Carrying Amount 2014 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 19)	N/A	110,439	120,790
Receivables (note 20)*	Loans and receivables (at amortised cost)	34,896	33,930
Total Financial Assets		145,335	154,720
Financial Liabilities			
Borrowings (note 27)	Financial liabilities measured at amortised cost	115,766	125,210
Payables (note 26)**		124,859	119,020
Total Financial Liabilities		240,625	244,230

Notes

*Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

(b) 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 HNELHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

Credit risk associated with the HNELHD'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.

Cash

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 3.46% in 2014/15 compared to 3.78% in the previous year.

Receivables - trade debtors

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

The HNELHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2015:\$30.04M; 2014: \$29.61M) and not more than 3 months past due (2015: \$3.11M; 2014: \$2.65M) are not considered impaired. Together these represent 90.22% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the HNELHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2015	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	3,112	3,110	2
3 months - 6 months overdue	639	429	210
> 6 months overdue	2,955	1,323	1,633
2014			
<3 months overdue	2,736	2,649	87
3 months - 6 months overdue	867	450	417
> 6 months overdue	2,252	1,090	1,162

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

(c) Liquidity Risk

Liquidity risk is the risk that the HNELHD will be unable to meet its payment obligations when they fall due. The HNELHD 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 effective management of cash, investments and liquid assets and liabilities.

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

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

The HNELHD 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 HNELHD 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 2).

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

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Bearing Interest	< 1 Yr	1-5 Yr	> 5Yr
						\$000	\$000	\$000
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		30,850	----	----	30,850	30,850	----	----
- Creditors		94,009	----	----	94,009	94,009	----	----
Borrowings:								
- Loans and Deposits	4.06%	655	655	----	----	146	509	----
- Public Private Partnership	8.36%	213,583	213,583	----	----	21,660	66,543	125,380
		<u>339,097</u>	<u>214,238</u>	----	<u>124,859</u>	<u>146,665</u>	<u>67,052</u>	<u>125,380</u>
2014								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		27,404	----	----	27,404	27,404	----	----
- Creditors		91,616	----	----	91,616	91,616	----	----
Borrowings:								
- Loans and Deposits	4.06%	801	801	----	----	146	582	73
- Public Private Partnership	8.36%	235,071	235,071	----	----	21,488	80,414	133,169
		<u>354,892</u>	<u>235,872</u>	----	<u>119,020</u>	<u>140,654</u>	<u>80,996</u>	<u>133,242</u>

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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

(d) 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 HNELHD's exposures to market risk are primarily through interest rate risk on the HNELHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The HNELHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit 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 HNELHD 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 for 2014. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the HNELHD's interest bearing liabilities.

However, the HNELHD 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 HNELHD does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

The HNELHD's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1% Net Result	Equity	Profit	+1% Equity
2015					
Financial Assets					
Cash and Cash Equivalents	110,439	(1,104)	(1,104)	1,104	1,104
Receivables	34,896	----	----	----	----
Financial Liabilities					
Payables	124,859	----	----	----	----
Borrowings	115,766	1,158	1,158	(1,158)	(1,158)
2014					
Financial Assets					
Cash and Cash Equivalents	120,790	(1,208)	(1,208)	1,208	1,208
Receivables	33,930	----	----	----	----
Financial Liabilities					
Payables	119,020	----	----	----	----
Borrowings	125,210	1,252	1,252	(1,252)	(1,252)

(e) Fair Value Measurement

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates fair value, because of the short term nature of many of the financial instruments.

38. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS