



## INDEPENDENT AUDITOR'S REPORT

### Murrumbidgee Local Health District Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Murrumbidgee Local Health District Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

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

### The 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 Entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, 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 other 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 role by the possibility of losing clients or income.

S Bond.

Sally Bond  
Director, Financial Audit Services

14 September 2015  
SYDNEY

**Murrumbidgee 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 Murrumbidgee 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 Murrumbidgee Local Health District; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Jill Ludford  
Chief Executive  
3 September 2015



Maurice Ahern  
Director Finance & Performance

**Murrumbidgee 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	2015	2014		2015	2015	2014
\$000	\$000	\$000		\$000	\$000	\$000
<b>Expenses excluding losses</b>						
Operating Expenses						
----	----	----				
263,145	262,731	269,278		278,371	277,785	282,668
37,674	36,364	38,193	3	----	----	----
157,107	153,084	153,483	4	37,674	36,364	38,193
16,519	16,664	14,777		157,107	153,084	153,483
2,505	2,800	1,425	5	16,519	16,664	14,777
5	----	19	2(i), 6	2,505	2,800	1,425
15,794	15,577	16,176	7	5	----	19
492,749	487,220	493,351	8	15,794	15,577	16,176
			9	<b>507,975</b>	<b>502,274</b>	<b>506,741</b>
<b>Revenue</b>						
384,019	381,518	381,188		384,019	381,518	381,188
92,570	92,573	66,343	2(d)	92,570	92,573	66,343
----	----	----		15,226	15,054	13,390
77,045	79,654	74,112	2(a)(ii), 13	77,045	79,654	74,112
372	239	320	10	372	239	320
14,164	13,037	14,603	11	14,164	13,037	14,603
4,136	3,112	1,505	12	4,136	3,112	1,505
572,306	570,133	538,071	14	<b>587,532</b>	<b>585,187</b>	<b>551,461</b>
(185)	(176)	196		(185)	(176)	196
(389)	(1,191)	(604)	15	(389)	(1,191)	(604)
78,983	81,546	44,312	16	<b>78,983</b>	<b>81,546</b>	<b>44,312</b>
			33			
78,983	81,546	44,312		78,983	81,546	44,312
78,983	81,546	44,312		78,983	81,546	44,312

The accompanying notes form part of these financial statements.

**Murrumbidgee 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
<b>ASSETS</b>						
<b>Current Assets</b>						
7,758	12,623	6,401		7,758	12,623	6,401
15,386	14,591	14,592	19	15,386	14,591	14,592
1,109	1,160	1,160	20	1,109	1,160	1,160
<u>24,253</u>	<u>28,374</u>	<u>22,153</u>	21	<u>24,253</u>	<u>28,374</u>	<u>22,153</u>
295	133	133		295	133	133
<u>24,548</u>	<u>28,507</u>	<u>22,286</u>	23	<u>24,548</u>	<u>28,507</u>	<u>22,286</u>
<b>Non-Current Assets</b>						
----	----	----		----	----	----
429,416	431,098	357,736	20	429,416	431,098	357,736
20,097	19,746	16,293	22	20,097	19,746	16,293
5,199	5,014	5,072	22	5,199	5,014	5,072
<u>454,712</u>	<u>455,858</u>	<u>379,101</u>		<u>454,712</u>	<u>455,858</u>	<u>379,101</u>
<u>454,712</u>	<u>455,858</u>	<u>379,101</u>		<u>454,712</u>	<u>455,858</u>	<u>379,101</u>
<u>479,260</u>	<u>484,365</u>	<u>401,387</u>		<u>479,260</u>	<u>484,365</u>	<u>401,387</u>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
32,797	32,715	31,920		32,797	32,715	31,920
71	210	210	26	71	210	210
32,843	33,460	33,188	27	32,843	33,460	33,188
358	45	44	28	358	45	44
<u>66,069</u>	<u>66,430</u>	<u>65,362</u>	29	<u>66,069</u>	<u>66,430</u>	<u>65,362</u>
<b>Non-Current Liabilities</b>						
472	----	----		472	----	----
431	431	247	27	431	431	247
<u>903</u>	<u>431</u>	<u>247</u>	28	<u>903</u>	<u>431</u>	<u>247</u>
<u>66,972</u>	<u>66,861</u>	<u>65,609</u>		<u>66,972</u>	<u>66,861</u>	<u>65,609</u>
<u>412,288</u>	<u>417,504</u>	<u>335,778</u>		<u>412,288</u>	<u>417,504</u>	<u>335,778</u>
<b>EQUITY</b>						
20,666	20,524	20,524		20,666	20,524	20,524
391,622	396,980	315,254		391,622	396,980	315,254
<u>412,288</u>	<u>417,504</u>	<u>335,778</u>		<u>412,288</u>	<u>417,504</u>	<u>335,778</u>

The accompanying notes form part of these financial statements.

**Murrumbidgee 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		315,254	20,524	335,778
<b>Total Equity at 1 July 2014</b>		<b>315,254</b>	<b>20,524</b>	<b>335,778</b>
Net Result for the year		78,983		78,983
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	----	----
-Transfers on Disposal		(142)	142	----
<b>Total Other Comprehensive Income</b>		<b>(142)</b>	<b>142</b>	<b>----</b>
<b>Total Comprehensive Income for the year</b>		<b>78,841</b>	<b>142</b>	<b>78,983</b>
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	38	(2,473)	----	(2,473)
<b>Balance at 30 June 2015</b>		<b>391,622</b>	<b>20,666</b>	<b>412,288</b>
Balance at 1 July 2013		272,130	19,336	291,466
<b>Total Equity at 1 July 2013</b>		<b>272,130</b>	<b>19,336</b>	<b>291,466</b>
Net Result for the year		44,312		44,312
Other Comprehensive Income:				
-Transfers on Disposal		(1,188)	1,188	----
<b>Total Other Comprehensive Income</b>		<b>(1,188)</b>	<b>1,188</b>	<b>----</b>
<b>Total Comprehensive Income for the year</b>		<b>43,124</b>	<b>1,188</b>	<b>44,312</b>
<b>Balance at 30 June 2014</b>		<b>315,254</b>	<b>20,524</b>	<b>335,778</b>

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District  
Statement of Cash Flows for the year ended 30 June 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000	Notes	2015 \$000	2015 \$000	2014 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
—	—	—		(270,958)	(269,069)	(270,298)
(19,967)	(20,044)	(19,417)		(19,967)	(20,044)	(19,417)
(5)	—	(20)		(5)	—	(20)
(478,726)	(473,019)	(483,151)		(207,768)	(203,950)	(212,853)
<u>(498,698)</u>	<u>(493,063)</u>	<u>(502,588)</u>		<u>(498,698)</u>	<u>(493,063)</u>	<u>(502,588)</u>
<b>Total Payments</b>						
<b>Receipts</b>						
384,018	381,518	381,188		384,018	381,518	381,188
92,570	92,574	66,342		92,570	92,574	66,342
5,527	5,527	3,968		5,527	5,527	3,968
74,942	78,910	78,826		74,942	78,910	78,826
367	239	319		367	239	319
14,985	13,858	15,721		14,985	13,858	15,721
22,245	19,324	19,211		22,245	19,324	19,211
<u>594,654</u>	<u>591,950</u>	<u>565,575</u>		<u>594,654</u>	<u>591,950</u>	<u>565,575</u>
<b>Total Receipts</b>						
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<u>95,956</u>	<u>98,887</u>	<u>62,987</u>	33	<u>95,956</u>	<u>98,887</u>	<u>62,987</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
77	320	674		77	320	674
(92,537)	(93,165)	(64,118)		(92,537)	(93,165)	(64,118)
<u>(92,460)</u>	<u>(92,845)</u>	<u>(63,444)</u>		<u>(92,460)</u>	<u>(92,845)</u>	<u>(63,444)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
583	583	—		583	583	—
(249)	(583)	(615)		(249)	(583)	(615)
<u>334</u>	<u>—</u>	<u>(615)</u>		<u>334</u>	<u>—</u>	<u>(615)</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>						
3,830	6,042	(1,072)		3,830	6,042	(1,072)
6,401	6,401	7,473		6,401	6,401	7,473
(2,473)	180	—	38	(2,473)	180	—
<u>7,758</u>	<u>12,623</u>	<u>6,401</u>	19	<u>7,758</u>	<u>12,623</u>	<u>6,401</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>						

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District  
Service Group Statements  
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	\$000	
Expenses excluding losses																								
Operating Expenses																								
Employee Related	15,550	16,112	1,551	1,413	16,789	17,243	40,233	41,835	112,771	120,134	24,730	25,723	59,383	51,446	5,790	7,349	2,592	1,413					282,686	
Visiting Medical Officers	153	191			790	1,059	7,815	7,753	20,807	21,044	3,996	4,463	3,541	3,115	568	554							36,193	
Other Operating Expenses	5,844	5,832	355	480	15,725	16,883	23,953	21,948	70,829	69,221	8,757	8,288	28,700	27,780	2,470	2,763	474	307					157,107	
Depreciation and Amortisation	559	502	48	44	868	916	2,981	2,483	7,144	6,679	1,170	635	3,375	3,118	316	355	79	44					14,777	
Grants and Subsidies	107	67	1,783	851	554	351	6	24	26	88		1	13	33	14	10							16,519	
Finance Costs		1				1			3	2			1	4									2,505	
Payments to Affiliated Health Organisations	163	324			757	1,116							14,889	14,720	5								19	
Total Expenses excluding losses	22,356	23,029	3,737	2,768	35,483	37,579	74,971	74,046	211,579	217,775	38,653	39,110	108,882	100,216	9,163	11,047	3,145	1,764					506,741	
Revenue																								
NSW Ministry of Health Recurrent Allocations **																								
NSW Ministry of Health Capital Allocations **																								
Acceptance by the Crown Entity																								
Sale of Goods and Services	700	2,919	50	134	854	2,263	2,325		7,094	3,374	1,207	1,928	2,867	2,022	52	750	72						381,188	
Investment Revenue	77	222			3,698	7,782	1,926	4,224	31,588	25,196	2,042	2,297	37,559	33,532	8	329	131	519					82,570	
Grants and Contributions	6	7		1	22	29	12	21	237	149	5	6	81	92		6	9						66,343	
Other Revenue	326	44	18	246	3,241	1,052	649	212	3,210	1,264	194	29	6,494	6,162		4,016	25	1,563					13,390	
Total Revenue	1,833	108	14	5	431	111	294	83	1,319	435	505	36	1,199	552	141	129	50	35					74,112	
Gain / (Loss) on Disposal	1,292	3,300	82	386	8,246	11,247	5,206	4,550	43,448	30,420	3,953	4,296	48,200	42,360	201	5,230	287	2,126					14,603	
Other Gains / (Losses)																								1,505
Net Result	(21,064)	(19,729)	(3,655)	(2,382)	(27,237)	(26,332)	(69,765)	(69,496)	(168,131)	(188,755)	(34,700)	(34,814)	(60,682)	(57,856)	(8,962)	(5,817)	(2,858)	362					551,461	
Total Comprehensive Income	(21,064)	(19,729)	(3,655)	(2,382)	(27,237)	(26,332)	(69,765)	(69,496)	(168,131)	(188,755)	(34,700)	(34,814)	(60,682)	(57,856)	(8,962)	(5,817)	(2,858)	362					(604)	
																								44,312

\* 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.



Murrumbidgee 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	\$000
<b>ASSETS</b>																							
Current Assets																							
Cash and Cash Equivalents	341	291	57	35	542	475	1,145	935	3,231	2,743	590	494	1,663	1,266	140	140	48	22				7,758	6,401
Receivables	15	44			739	1,532	385	882	6,308	4,981	408	452	7,501	6,602	2	65	26	102				15,386	14,592
Inventories	41	44	3	3	111	128	169	166	500	523	62	63	203	210	17	21	3	2				1,109	1,160
Non-Current Assets Held for Sale	10	5	1		15	8	53	22	128	60	21	6	60	28	6	3	1					295	133
<b>Total Current Assets</b>	<b>407</b>	<b>384</b>	<b>61</b>	<b>38</b>	<b>1,407</b>	<b>2,143</b>	<b>1,762</b>	<b>1,955</b>	<b>10,167</b>	<b>8,287</b>	<b>1,081</b>	<b>1,015</b>	<b>9,427</b>	<b>8,106</b>	<b>165</b>	<b>229</b>	<b>78</b>	<b>126</b>				<b>24,548</b>	<b>22,286</b>
Non-Current Assets																							
Property, Plant and Equipment																							
- Land and Buildings	14,519	12,163	1,258	1,073	22,553	22,180	76,973	60,100	185,714	161,697	30,420	15,983	87,721	75,482	8,206	8,986	2,053	1,073				429,416	357,736
- Plant and Equipment	679	554	59	49	1,055	1,010	3,602	2,737	8,692	7,364	1,424	701	4,105	3,438	384	391	96	49				20,097	16,293
- Infrastructure Systems	176	172	15	15	273	314	932	852	2,248	2,293	368	218	1,062	1,070	99	122	25	15				5,199	5,072
<b>Total Non-Current Assets</b>	<b>15,374</b>	<b>12,889</b>	<b>1,332</b>	<b>1,137</b>	<b>23,881</b>	<b>23,504</b>	<b>81,507</b>	<b>63,689</b>	<b>196,654</b>	<b>171,354</b>	<b>32,212</b>	<b>16,302</b>	<b>92,888</b>	<b>79,990</b>	<b>8,689</b>	<b>9,099</b>	<b>2,174</b>	<b>1,137</b>				<b>454,712</b>	<b>379,101</b>
<b>TOTAL ASSETS</b>	<b>15,781</b>	<b>13,273</b>	<b>1,393</b>	<b>1,175</b>	<b>25,288</b>	<b>25,647</b>	<b>83,289</b>	<b>65,644</b>	<b>206,821</b>	<b>179,641</b>	<b>33,293</b>	<b>17,317</b>	<b>102,315</b>	<b>88,096</b>	<b>8,854</b>	<b>9,328</b>	<b>2,252</b>	<b>1,263</b>				<b>479,260</b>	<b>401,387</b>
<b>LIABILITIES</b>																							
Current Liabilities																							
Payables	1,220	1,213	74	96	3,283	3,511	5,000	4,565	14,786	14,396	1,828	1,724	5,991	5,778	516	575	99	64				32,797	31,920
Borrowings	3	10	1	1	5	16	10	31	30	90	5	16	15	42	1	5		1				71	210
Provisions	1,832	1,892	183	166	1,981	2,024	4,747	4,912	13,305	14,105	2,818	3,020	6,888	6,040	683	863	306	166				32,843	33,188
Other	16	2	3		25	3	53	6	149	19	27	3	77	9	6	1	2					358	44
<b>Total Current Liabilities</b>	<b>3,071</b>	<b>3,117</b>	<b>261</b>	<b>263</b>	<b>5,294</b>	<b>5,554</b>	<b>9,810</b>	<b>9,514</b>	<b>28,270</b>	<b>28,610</b>	<b>4,778</b>	<b>4,763</b>	<b>12,971</b>	<b>11,869</b>	<b>1,206</b>	<b>1,444</b>	<b>407</b>	<b>231</b>				<b>66,069</b>	<b>65,362</b>
Non-Current Liabilities																							
Borrowings	21		3		33		70		197		36		101		9		3					472	
Provisions	24	14	2	1	26	15	62	37	175	105	38	22	90	45	9	6	4	1				431	247
<b>Total Non-Current Liabilities</b>	<b>45</b>	<b>14</b>	<b>5</b>	<b>1</b>	<b>59</b>	<b>15</b>	<b>132</b>	<b>37</b>	<b>372</b>	<b>105</b>	<b>74</b>	<b>22</b>	<b>191</b>	<b>45</b>	<b>18</b>	<b>6</b>	<b>7</b>	<b>1</b>				<b>903</b>	<b>247</b>
<b>TOTAL LIABILITIES</b>	<b>3,116</b>	<b>3,131</b>	<b>266</b>	<b>264</b>	<b>5,353</b>	<b>5,569</b>	<b>9,942</b>	<b>9,551</b>	<b>28,642</b>	<b>28,715</b>	<b>4,852</b>	<b>4,785</b>	<b>13,162</b>	<b>11,914</b>	<b>1,224</b>	<b>1,450</b>	<b>414</b>	<b>232</b>				<b>66,972</b>	<b>65,609</b>
<b>NET ASSETS</b>	<b>12,665</b>	<b>10,142</b>	<b>1,127</b>	<b>911</b>	<b>19,935</b>	<b>20,078</b>	<b>73,317</b>	<b>56,093</b>	<b>178,179</b>	<b>150,926</b>	<b>28,441</b>	<b>12,532</b>	<b>89,153</b>	<b>76,182</b>	<b>7,630</b>	<b>7,878</b>	<b>1,838</b>	<b>1,031</b>				<b>412,288</b>	<b>335,778</b>

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

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**1. The Reporting Entity**

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

The Murrumbidgee LHD 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 Murrumbidgee Local Health District Special Purpose Service Entity which was established as a Division of the Murrumbidgee LHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Murrumbidgee LHD 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 Murrumbidgee LHD 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 3 September 2015.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The Murrumbidgee LHD'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(ac).

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

The Secretary of Health, the Chair of Murrumbidgee Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Murrumbidgee LHD'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 Murrumbidgee LHD 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.

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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 Murrumbidgee LHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- \* The Murrumbidgee LHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Murrumbidgee LHD 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.

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 Murrumbidgee LHD has assessed the actuarial advice based on the Murrumbidgee LHD'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.

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**ii) Long Service Leave and Superannuation**

The Murrumbidgee LHD'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 Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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.

**b) Insurance**

The Murrumbidgee LHD'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.

Murrumbidgee Local Health District  
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*Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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.

*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 Murrumbidgee LHD'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.

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*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 Murrumbidgee LHD 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 Murrumbidgee LHD use in the advancement of the Murrumbidgee LHD or individuals within it.

*Use of Outside Facilities*

The Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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 the Mercy Health Service have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The Murrumbidgee LHD 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.

**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 Murrumbidgee LHD 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.

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**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(z)).

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 Murrumbidgee LHD are deemed to be controlled by the Murrumbidgee LHD 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 Murrumbidgee LHD. 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:

	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.

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**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.

Investment property is separately discussed at Note 2(n).

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 Murrumbidgee LHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the Murrumbidgee LHD was completed in the 30 June 2013 financial year 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.

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.



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**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 Murrumbidgee LHD 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.

**n) Investment Properties**

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116, Property, Plant and Equipment.

The Murrumbidgee LHD does not have any property that meets the definition of Investment Property.

**o) Intangible Assets**

The Murrumbidgee LHD recognises intangible assets only if it is probable that future economic benefits will flow to the Murrumbidgee LHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Murrumbidgee LHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the Murrumbidgee LHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

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**p) 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.

**q) 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.

**r) 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.

**s) 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.

**t) 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 Murrumbidgee LHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

\* The Murrumbidgee LHD 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.

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

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

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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 Murrumbidgee LHD 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.

**u) 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.

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.

**v) 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 Murrumbidgee LHD transfers the financial asset:

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

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

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

**w) Payables**

These amounts represent liabilities for goods and services provided to the Murrumbidgee LHD 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 Murrumbidgee LHD.

**x) 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.

**y) Fair Value Hierarchy**

A number of the Murrumbidgee LHD'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 Murrumbidgee LHD 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 Murrumbidgee LHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 39 and Note 24 for further disclosures regarding fair value measurements of financial and non-financial assets.

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**z) 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 Murrumbidgee LHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Murrumbidgee LHD does not recognise that asset.

**aa) 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 Murrumbidgee LHD's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

**(iii) Separate Reserves**

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

**ab) Trust Funds**

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

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

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**ac) 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 Murrumbidgee LHD'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 Murrumbidgee LHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Murrumbidgee LHD 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".

**ad) 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 Murrumbidgee LHD 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.

**ae) 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, Murrumbidgee LHD management is of the opinion that there will be no material implications for the financial statements.

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

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**(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.

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.

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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 January 2016. 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.



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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	177,718	183,515
----	----	Overtime	7,105	7,614
----	----	Penalties	18,056	18,093
----	----	Superannuation - Defined Benefit Plans	3,615	4,034
----	----	Superannuation - Defined Contribution Plans	19,853	19,364
----	----	Long Service Leave	12,248	10,098
----	----	Annual Leave	21,770	22,758
----	----	Sick Leave and Other Leave	12,082	12,834
----	----	Redundancies	2,499	327
----	----	Workers' Compensation Insurance	3,380	4,020
----	----	Fringe Benefits Tax	45	11
-----	-----		<u>278,371</u>	<u>282,668</u>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	667	546
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
177,718	183,515	Salaries and Wages	----	----
7,105	7,614	Overtime	----	----
18,056	18,093	Penalties	----	----
----	1	Superannuation - Defined Benefit Plans	----	----
19,853	19,364	Superannuation - Defined Contribution Plans	----	----
637	741	Long Service Leave	----	----
21,770	22,758	Annual Leave	----	----
12,082	12,834	Sick Leave and Other Leave	----	----
2,499	327	Redundancies	----	----
3,380	4,020	Workers' Compensation Insurance	----	----
45	11	Fringe Benefits Tax	----	----
<u>263,145</u>	<u>269,278</u>		<u>-----</u>	<u>-----</u>
The following additional information is provided:				
667	546	Personnel Services Expenses Capitalised - Land and Buildings	----	----
<b>5. Other Operating Expenses</b>				
155	72	Advertising	155	72
118	108	Auditor's Remuneration - Audit of Financial Statements	118	108
2,137	2,201	Blood and Blood Products	2,137	2,201
74	98	Consultancies - Other	74	98
35	----	Contractors	35	----
14,667	14,674	Domestic Supplies and Services	14,667	14,674
10,317	9,661	Drug Supplies	10,317	9,661
15,130	15,148	Food Supplies	15,130	15,148
5,960	6,380	Fuel, Light and Power	5,960	6,380
13,840	12,581	Hospital Ambulance Transport Costs	13,840	12,581
7,335	6,537	Information Management Expenses	7,335	6,537
968	1,033	Insurance	968	1,033
12,697	10,848	Maintenance (See (b) below)	12,697	10,848
15,030	14,927	Medical and Surgical Supplies	15,030	14,927
1,143	1,212	Motor Vehicle Expenses	1,143	1,212
1,210	1,258	Postal and Telephone Costs	1,210	1,258
936	1,065	Printing and Stationery	936	1,065
1,101	793	Rates and Charges	1,101	793
3,630	3,957	Rental	3,630	3,957
2,115	3,126	Hosted Services Purchased from Other NSW Health Entities	2,115	3,126

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27,412	27,985		27,412	27,985
3,453	3,513	Special Service Departments	3,453	3,513
2,339	2,415	Staff Related Costs	2,339	2,415
<u>15,305</u>	<u>13,891</u>	Travel Related Costs	<u>15,305</u>	<u>13,891</u>
		Other (See (a) below)		
<u><b>157,107</b></u>	<u><b>153,483</b></u>		<u><b>157,107</b></u>	<u><b>153,483</b></u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>(a) Other Includes:</b>		
1,989	2,126	Contract for Patient Services	1,989	2,126
4,539	4,408	Corporate Support Services	4,539	4,408
403	402	Courier and Freight	403	402
3,140	2,978	Isolated Patient Travel and Accommodation Assistance Scheme	3,140	2,978
107	151	Legal Services	107	151
177	275	Membership/Professional Fees	177	275
1,902	1,593	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,902	1,593
203	243	Other Operating Lease Expense - Minimum Lease Payments	203	243
119	20	Quality Assurance/Accreditation	119	20
281	563	Security Services	281	563
<u>2,445</u>	<u>1,132</u>	Other Miscellaneous	<u>2,445</u>	<u>1,132</u>
<u><b>15,305</b></u>	<u><b>13,891</b></u>		<u><b>15,305</b></u>	<u><b>13,891</b></u>
		<b>(b) Reconciliation of Total Maintenance</b>		
2,971	2,668	Maintenance Contracts	2,971	2,668
5,447	3,733	New/Replacement Equipment under \$10,000	5,447	3,733
4,254	4,392	Repairs Maintenance/Non Contract	4,254	4,392
<u>25</u>	<u>55</u>	Other	<u>25</u>	<u>55</u>
12,697	10,848	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	12,697	10,848
<u>2,826</u>	<u>2,632</u>	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	<u>2,826</u>	<u>2,632</u>
<u><b>15,523</b></u>	<u><b>13,480</b></u>	<b>Total Maintenance Expenses</b>	<u><b>15,523</b></u>	<u><b>13,480</b></u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>6. Depreciation and Amortisation</b>		
12,949	11,168	Depreciation - Buildings	12,949	11,168
3,222	3,278	Depreciation - Plant and Equipment	3,222	3,278
348	331	Depreciation - Infrastructure Systems	348	331
<u>16,519</u>	<u>14,777</u>		<u>16,519</u>	<u>14,777</u>
		<b>7. Grants and Subsidies</b>		
1,450	1,395	Non-Government Organisations	1,450	1,395
1,028	-----	Community Packages	1,028	-----
-----	2	Grants to Research Organisations	-----	2
27	28	Other Grants	27	28
<u>2,505</u>	<u>1,425</u>		<u>2,505</u>	<u>1,425</u>
		<b>8. Finance Costs</b>		
5	19	Interest on Loans	5	19
<u>5</u>	<u>19</u>		<u>5</u>	<u>19</u>
		<b>9. Payments to Affiliated Health Organisations</b>		
		(a) Recurrent Sourced		
15,794	16,176	Mercy Health Service	15,794	16,176
<u>15,794</u>	<u>16,176</u>		<u>15,794</u>	<u>16,176</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>10. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
44	42	Pharmacy Sales	44	42
760	823	Sale of Prosthesis	760	823
5	17	Other	5	17
(b) Rendering of Services comprise the following:-				
		Patient Fees		
32,781	32,186	- Inpatient Fees	32,781	32,186
7,508	7,228	- Nursing Home Fees	7,508	7,228
1,190	380	- Non Inpatient Fees	1,190	380
11,217	11,882	Department of Veterans' Affairs	11,217	11,882
163	193	Staff-Meals and Accommodation	163	193
45	59	Infrastructure Fees - Monthly Facility Charge	45	59
19	30	Cafeteria/Kiosk	19	30
35	----	Car Parking	35	----
5,060	3,992	Clinical Services (excluding Clinical Drug Trials)	5,060	3,992
422	84	Commercial Activities	422	84
22	33	Fees for Medical Records	22	33
6	6	Information Retrieval	6	6
3,242	2,938	High Cost Drugs	3,242	2,938
7	33	Meals on Wheels	7	33
2,332	3,288	Motor Accident Authority Third Party	2,332	3,288
30	10	Patient Transport Fees	30	10
22	43	Private Use of Motor Vehicles	22	43
179	190	Salary Packaging Fee	179	190
696	407	Services Provided to Non NSW Health Organisations	696	407
11,016	10,093	Multi Purpose Service Centre Fees	11,016	10,093
244	155	Other	244	155
<u>77,045</u>	<u>74,112</u>		<u>77,045</u>	<u>74,112</u>
<b>11. Investment Revenue</b>				
367	320	Interest	367	320
5	----	Other	5	----
<u>372</u>	<u>320</u>		<u>372</u>	<u>320</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>12. Grants and Contributions</b>				
4,059	4,715	Commonwealth Government Grants	4,059	4,715
78	-----	Commonwealth Teaching Hospital Grants	78	-----
981	1,404	Industry Contributions/Donations	981	1,404
4,555	4,905	Cancer Institute Grants	4,555	4,905
809	1,117	NSW Government Grants	809	1,117
2,390	-----	Grants from Other NSW Health Entities	2,390	-----
66	43	Research Grants	66	43
1,226	2,419	Other Grants	1,226	2,419
<u>14,164</u>	<u>14,603</u>		<u>14,164</u>	<u>14,603</u>
<b>13. Acceptance by the Crown Entity of Employee Benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	3,615	4,033
-----	-----	Long Service Leave	11,611	9,357
-----	-----		<u>15,226</u>	<u>13,390</u>
<b>14. Other Revenue</b>				
Other Revenue comprises the following:-				
1	14	Bad Debts Recovered	1	14
17	16	Commissions	17	16
493	604	Conference and Training Fees	493	604
39	4	Insurance Refunds	39	4
838	746	Lease and Rental Income	838	746
15	-----	Property not Previously Recognised	15	-----
4	6	Sale of Merchandise, Old Wares and Books	4	6
2,384	-----	Treasury Managed Fund Hindsight Adjustment	2,384	-----
345	115	Other	345	115
<u>4,136</u>	<u>1,505</u>		<u>4,136</u>	<u>1,505</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>15. Gain / (Loss) on Disposal</b>		
4,646	8,006	Property, Plant and Equipment	4,646	8,006
<u>4,610</u>	<u>7,996</u>	Less: Accumulated Depreciation	<u>4,610</u>	<u>7,996</u>
36	10	<b>Written Down Value</b>	36	10
27	28	Less: Proceeds from Disposal	27	28
		<b>Gain/(Loss) on Disposal of</b>		
<u>(9)</u>	<u>18</u>	<b>Property, Plant and Equipment</b>	<u>(9)</u>	<u>18</u>
208	290	Assets Held for Sale	208	290
<u>32</u>	<u>468</u>	Less: Proceeds from Disposal	<u>32</u>	<u>468</u>
<u>(176)</u>	<u>178</u>	<b>Gain/(Loss) on Disposal of Assets</b>	<u>(176)</u>	<u>178</u>
		<b>Held for Sale</b>		
<u>(185)</u>	<u>196</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(185)</u>	<u>196</u>
		<b>16. Other Gains / (Losses)</b>		
(389)	(604)	Impairment of Receivables	(389)	(604)
<u>(389)</u>	<u>(604)</u>		<u>(389)</u>	<u>(604)</u>

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**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	104	3,757	234	4,095
Contributions recognised in previous years which were not expended in the current reporting period	522	370	17	909
Total amount of unexpended contributions as at reporting date	626	4,127	251	5,004

Comment on restricted assets appears in Note 25



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**18. Service Groups of the Murrumbidgee LHD**

**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.

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**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.

**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.

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>19. Cash and Cash Equivalents</b>		
2,758	1,339	Cash at Bank and On Hand	2,758	1,339
<u>5,000</u>	<u>5,062</u>	Short Term Deposits	<u>5,000</u>	<u>5,062</u>
<u><b>7,758</b></u>	<u><b>6,401</b></u>		<u><b>7,758</b></u>	<u><b>6,401</b></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 &amp; 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>7,758</u>	<u>6,401</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>7,758</u>	<u>6,401</u>
<u><b>7,758</b></u>	<u><b>6,401</b></u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>7,758</b></u>	<u><b>6,401</b></u>

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

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>20. Receivables</b>		
		<b>Current</b>		
7,819	6,725	Sale of Goods and Services	7,819	6,725
3,503	3,460	Intra Health Receivables	3,503	3,460
2,313	1,344	Goods and Services Tax	2,313	1,344
649	680	Other Debtors	649	680
<u>14,284</u>	<u>12,209</u>	<b>Sub Total</b>	<u>14,284</u>	<u>12,209</u>
(391)	(247)	Less Allowance for Impairment	(391)	(247)
13,893	11,962	<b>Sub Total</b>	13,893	11,962
1,493	2,630	Prepayments	1,493	2,630
<u>15,386</u>	<u>14,592</u>		<u>15,386</u>	<u>14,592</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(215)	(473)	Balance at Commencement of Reporting Period	(215)	(473)
54	801	Amounts written off during the period	54	801
156	1	Amounts recovered during the period	156	1
(369)	(544)	(Increase)/decrease in Allowance Recognised in the Net Result	(369)	(544)
(374)	(215)	Balance at 30 June	(374)	(215)
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(32)	(30)	Balance at Commencement of Reporting Period	(32)	(30)
7	57	Amounts written off during the period	7	57
28	-----	Amounts recovered during the period	28	-----
(19)	(59)	(Increase)/decrease in Allowance Recognised in the Net Result	(19)	(59)
(17)	(32)	Balance at 30 June	(17)	(32)
<u>(391)</u>	<u>(247)</u>		<u>(391)</u>	<u>(247)</u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
874	589	Patient Fees - Compensable	874	589
466	271	Patient Fees - Ineligible	466	271
4,626	3,406	Patient Fees - Inpatient & Other	4,626	3,406
<u>5,966</u>	<u>4,266</u>		<u>5,966</u>	<u>4,266</u>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.*

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>21. Inventories</b>				
310	454	Drugs	310	454
629	624	Medical and Surgical Supplies	629	624
122	71	Engineering Supplies	122	71
48	11	Other Including Goods in Transit	48	11
<u>1,109</u>	<u>1,160</u>		<u>1,109</u>	<u>1,160</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
719,354	643,106	Gross Carrying Amount	719,354	643,106
289,938	285,370	Less: Accumulated Depreciation and Impairment	289,938	285,370
<u>429,416</u>	<u>357,736</u>	Net Carrying Amount	<u>429,416</u>	<u>357,736</u>
<b>Plant and Equipment - Fair Value*</b>				
44,112	37,632	Gross Carrying Amount	44,112	37,632
24,015	21,339	Less: Accumulated Depreciation and Impairment	24,015	21,339
<u>20,097</u>	<u>16,293</u>	Net Carrying Amount	<u>20,097</u>	<u>16,293</u>
<b>Infrastructure Systems - Fair Value</b>				
12,826	12,351	Gross Carrying Amount	12,826	12,351
7,627	7,279	Less: Accumulated Depreciation and Impairment	7,627	7,279
<u>5,199</u>	<u>5,072</u>	Net Carrying Amount	<u>5,199</u>	<u>5,072</u>
<u>454,712</u>	<u>379,101</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>454,712</u>	<u>379,101</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.

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**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
<b>2015</b>						
Net Carrying Amount at Start of Year	30,640	327,096	16,293	5,072	----	379,101
Additions	----	90,053	5,136	----	----	95,189
Recognition of Assets Held for Sale	(370)	----	----	----	----	(370)
Disposals	----	----	(36)	----	----	(36)
Administrative Restructures - Transfers In/(Out)	----	(2,653)	----	----	----	(2,653)
Depreciation Expense	----	(12,949)	(3,222)	(348)	----	(16,519)
Reclassifications	----	(2,401)	1,926	475	----	----
Net Carrying Amount at End of Year	30,270	399,146	20,097	5,199	0	454,712

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2014</b>						
Net Carrying Amount at Start of Year	30,862	278,668	15,016	5,403	----	329,949
Additions	----	59,374	4,565	----	----	63,939
Disposals	----	----	(10)	----	----	(10)
Depreciation Expense	----	(11,168)	(3,278)	(331)	----	(14,777)
Reclassifications	(223)	223	----	----	----	----
Net Carrying Amount at End of Year	30,639	327,097	16,293	5,072	0	379,101

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 Murrumbidgee LHD [see note 2(g)].
- (ii) Indices provided by NSW Land & Property Information were not applied as immaterial.

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>23. Non-Current Assets (or Disposal Groups) Held for Sale</b>				
		<b>Assets Held for Sale</b>		
295	133	Land and Buildings	295	133
<u>295</u>	<u>133</u>		<u>295</u>	<u>133</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.



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**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	----	3,366	223,917	227,283
- Infrastructure Systems	----	----	4,740	4,740
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	----	295	----	295
	-----	-----	-----	-----
	-----	3,661	228,657	232,318

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	----	120,136	237,600	357,736
- Infrastructure Systems	----	----	5,072	5,072
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)	----	133	----	133
	-----	-----	-----	-----
	-----	120,269	242,672	362,941

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 Murrumbidgee LHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Opteon Pty Ltd for the 2012/13 financial year. Opteon Pty Ltd is an independent entity and is not an employee of the Murrumbidgee LHD.

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:

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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 completed 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"> <li>▪ Rate per square metre</li> <li>▪ Discount rate</li> <li>▪ Provision for remediation</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>▪ Rate per square metre increases/(decreases)</li> <li>▪ Discount rate decreases/(increases)</li> <li>▪ Provision for remediation decreases/(increases)</li> </ul>
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"> <li>▪ Useful life assessment</li> <li>▪ Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>▪ Useful life assessment increases/(decreases)</li> <li>▪ Replacement cost per square metre increases/(decreases)</li> </ul>
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"> <li>▪ Useful life assessment</li> <li>▪ Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>▪ Useful life assessment increases/(decreases)</li> <li>▪ Replacement cost per square metre increases/(decreases)</li> </ul>
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"> <li>▪ Useful life assessment</li> <li>▪ Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>▪ Useful life assessment increases/(decreases)</li> <li>▪ Replacement cost per square metre increases/(decreases)</li> </ul>

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

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**24. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>2015</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2014	237,600	5,072	242,672
Depreciation	(11,562)	(348)	(11,910)
Administrative Restructures - Transfers In/(Out)	(2,653)	-----	(2,653)
Other - Adjustment 2014 Balances	532	16	548
Fair value as at 30 June 2015	<u>223,917</u>	<u>4,740</u>	<u>228,657</u>
<b>2014</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2013	248,642	5,403	254,045
Depreciation	(11,042)	(331)	(11,373)
Fair value as at 30 June 2014	<u>237,600</u>	<u>5,072</u>	<u>242,672</u>

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2015 \$000	2014 \$000		2015 \$000	2014 \$000
---------------	---------------	--	---------------	---------------

**25. Restricted Assets**

The Murrumbidgee LHD'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**

3,903	4,006	Specific Purposes	3,903	4,006
11	16	Education	11	16
894	1,005	Frontline Health Services	894	1,005
196	175	Other	196	175
<b>5,004</b>	<b>5,202</b>		<b>5,004</b>	<b>5,202</b>

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>26. Payables</b>		
		<b>Current</b>		
-----	-----	Accrued Salaries, Wages and On-Costs	5,848	6,554
-----	-----	Taxation and Payroll Deductions	401	1,604
6,249	8,158	Accrued Liability - Purchase of Personnel Services	-----	-----
15,099	13,234	Creditors	15,099	13,234
		Other Creditors		
248	30	- Capital Works	248	30
6,007	6,852	- Intra Health Liability	6,007	6,852
5,194	3,646	- Other	5,194	3,646
<u>32,797</u>	<u>31,920</u>		<u>32,797</u>	<u>31,920</u>

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

		<b>27. Borrowings</b>		
		<b>Current</b>		
<u>71</u>	<u>210</u>	Other Loans and Deposits	<u>71</u>	<u>210</u>
<u>71</u>	<u>210</u>		<u>71</u>	<u>210</u>
		<b>Non-Current</b>		
<u>472</u>	-----	Other Loans and Deposits	<u>472</u>	-----
<u>472</u>	-----		<u>472</u>	-----

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 30 June 2022.

Other loans still to be extinguished represent monies to be repaid to the HealthShare NSW, NSW Ministry of Health and Treasury.

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

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2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>28. Provisions</b>				
<b>Current</b>				
-----	-----	Annual Leave - Short Term Benefit	22,651	20,726
-----	-----	Annual Leave - Long Term Benefit	5,230	7,772
-----	-----	Long Service Leave Consequential On-Costs	4,962	4,690
<u>32,843</u>	<u>33,188</u>	Provision for Personnel Services Liability	-----	-----
<u><b>32,843</b></u>	<u><b>33,188</b></u>	<b>Total Current Provisions</b>	<u><b>32,843</b></u>	<u><b>33,188</b></u>
<b>Non-Current</b>				
-----	-----	Long Service Leave Consequential On-Costs	431	247
<u>431</u>	<u>247</u>	Provision for Personnel Services Liability	-----	-----
<u><b>431</b></u>	<u><b>247</b></u>	<b>Total Non-Current Provisions</b>	<u><b>431</b></u>	<u><b>247</b></u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
-----	-----	Provisions - Current	32,843	33,188
-----	-----	Provisions - Non-Current	431	247
-----	-----	Accrued Salaries, Wages and On-Costs (Note 26)	6,249	8,158
<u>39,523</u>	<u>41,593</u>	Liability - Purchase of Personnel Services	-----	-----
<u><b>39,523</b></u>	<u><b>41,593</b></u>		<u><b>39,523</b></u>	<u><b>41,593</b></u>
<b>29. Other Liabilities</b>				
<b>Current</b>				
-----	-----	Income in Advance	358	44
<u>358</u>	<u>44</u>		-----	-----
<u><b>358</b></u>	<u><b>44</b></u>		<u><b>358</b></u>	<u><b>44</b></u>

Income in Advance of \$0.358M relates to prepaid fees for Residential Aged Care patients for the LHD for June 2015.

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2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>30. Commitments for Expenditure</b>		
		(a) <b>Capital Commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems and intangible assets, contracted for at balance date and not provided for:		
54,360	82,726	Not later than one year	54,360	82,726
33	48,445	Later than one year and not later than five years	33	48,445
<u>54,393</u>	<u>131,171</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>54,393</u>	<u>131,171</u>
		Of the commitments reported at 30 June 2015 it is expected that \$1.57M will be met from locally generated moneys.		
		(b) <b>Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
2,248	3,082	Not later than one year	2,248	3,082
2,388	2,867	Later than one year and not later than five years	2,388	2,867
<u>4,636</u>	<u>5,949</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>4,636</u>	<u>5,949</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. \$59.03M million as at 30 June 2015 includes input tax credits of \$5.37M that are expected to be recoverable from the Australian Taxation Office (2014 \$12.47M).

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**31. Trust Funds**

The Murrumbidgee LHD holds trust funds of \$2.6 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 Murrumbidgee LHD 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 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Balance at the beginning of the financial year	149	106	38	79	2,655	670	2,842	855
Income	85	132	6	18	9,511	9,139	9,602	9,289
Expenses	(123)	(89)	(6)	(59)	(9,665)	(7,154)	(9,794)	(7,302)
Balance at the end of the financial year	111	149	38	38	2,501	2,655	2,650	2,842



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**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 Murrumbidgee LHD will be paid in 2015/16. It is not possible for the Murrumbidgee LHD to reliably quantify the benefit to be received or amount payable.

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>33. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
95,956	62,987	Net Cash Flows from Operating Activities	95,956	62,987
(16,519)	(14,777)	Depreciation	(16,519)	(14,777)
(389)	(604)	Allowance for Impairment	(389)	(604)
(313)	1,050	(Increase)/ Decrease Income in Advance	(313)	1,050
161	(2,157)	(Increase)/ Decrease in Provisions	161	(2,157)
860	2,414	Increase / (Decrease) in Prepayments and Other Assets	860	2,414
(605)	(4,797)	(Increase)/ Decrease in Payables from Operating Activities	(605)	(4,797)
(185)	196	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(185)	196
17	----	Assets donated or brought to account for the first time	17	----
<u>78,983</u>	<u>44,312</u>	<b>Net Result</b>	<u>78,983</u>	<u>44,312</u>
<b>34. Non-Cash Financing and Investing Activities</b>				
17	----	Assets Received by Donation	17	----
<u>17</u>	<u>----</u>		<u>17</u>	<u>----</u>
<b>35. 2014/15 Voluntary Services</b>				
<p>It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the Murrumbidgee LHD. Services provided include:</p>				
<ul style="list-style-type: none"> <li>- Chaplaincies and Pastoral Care</li> <li>- Pink Ladies/Hospital Auxiliaries</li> <li>- Patient Support Groups</li> <li>- Community Organisations</li> <li>- Patient &amp; Family Support</li> <li>- Patient Services, Fund Raising</li> <li>- Practical Support to Patients and Relatives</li> <li>- Counselling, Health Education, Transport, Home Help &amp; Patient Activities</li> </ul>				
<b>36. Unclaimed Monies</b>				
<p>Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i>.</p>				
<p>All money and personal effects of patients which are left in the custody of Murrumbidgee LHD 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 Murrumbidgee LHD.</p>				
<p>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.</p>				

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**PARENT AND CONSOLIDATION**

**37. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was lower than adjusted budget by \$3 million, primarily due to:

Higher VMO expenses compared to budget by \$1.3M, although actual expenses were lower than for the prior year.

Other Operating Expenses were higher than budget by \$4.0M or 2.6%. These increases were primarily associated with increased expenditure in replacing computer and related equipment, increased costs of ambulance transfers and other activity related items.

Revenues were lower than budget by \$2.4M due to lower than budget DVA and MAA revenues. These variances to budget were offset in part by higher than budget revenues in Grants & Contributions and TMF Premium rebates.

**Assets and Liabilities**

Current Assets were lower than budget by \$4.0M with higher levels of Receivable against budget of \$0.8M, Cash and Cash Equivalents although improved on the prior year were lower than budget by \$4.9M. Other Asset & Liability groups were consistent with budget.

**Cash Flows**

Cash Flows were generally consistent with budget allocations. The District received cash assistance of \$2.5M to support operational requirements during 2014/15.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 17/6/2014 are as follows:

	<b>\$000</b>
Initial Allocation	378,339
Mental Health Supplementation	1,028
Isolated Patients Travel & Assistance Scheme	1,600
Voluntary Redundancy Reimbursement	1,825
PAYG Tax Budget Adjustment	1,600
Nursing Staff Enhancement	1,169
Tfr Services to Albury Wodonga Health	(13,045)
Other Enhancements / Adjustments	8,663
Cash Adjustments	2,840
	384,019
Balance as per Statement of Comprehensive Income	384,019

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**38. Increase/(Decrease) in Net Assets from Equity Transfers**

Equity transfers effected in the 2014/15 year were:

A decrease in net assets of \$2.4M relating to the transfer of Community Health & Community Mental Health Buildings located in Albury.

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Equity transfers effected comprised:		
Albury Wodonga Health - Community Health & Community Mental Health Buildings located in Albury and Long Service Leave Liability.	(2,473)	-
	<b>(2,473)</b>	-----
Assets and Liabilities transferred are as follows:		
	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Buildings	(2,653)	-
<b>Liabilities</b>		
Long Service Leave Liability	180	-
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>(2,473)</b>	-----

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**39. Financial Instruments**

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

The Murrumbidgee LHD's main risks arising from financial instruments are outlined below, together with the Murrumbidgee LHD'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 Murrumbidgee LHD, 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**

<b>PARENT AND CONSOLIDATION</b>		<b>Carrying Amount 2015 \$000</b>	<b>Carrying Amount 2014 \$000</b>
<b>Class:</b>	<b>Category</b>		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 19)	N/A	7,758	6,401
Receivables (note 20)*	Loans and receivables (at amortised cost)	11,580	10,618
<b>Total Financial Assets</b>		<u>19,338</u>	<u>17,019</u>
<b>Financial Liabilities</b>			
Borrowings (note 27)	Financial liabilities measured at amortised cost	543	210
Payables (note 26)**		32,396	30,316
<b>Total Financial Liabilities</b>		<u>32,939</u>	<u>30,526</u>

**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)

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**(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 Murrumbidgee LHD. 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 Murrumbidgee LHD, including cash, receivables and authority deposits. No collateral is held by the Murrumbidgee LHD. The Murrumbidgee LHD has not granted any financial guarantees.

Credit risk associated with the Murrumbidgee LHD'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 3.10% in 2014/15 compared to 3.32% 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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:\$2.76M; 2014: \$2.35M) and not more than 3 months past due (2015: \$0.72M; 2014:\$0.67M) are not considered impaired. Together these represent 79% 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 Murrumbidgee LHD'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 <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<3 months overdue	764	731	33
3 months - 6 months overdue	469	314	155
> 6 months overdue	496	293	203
<b>2014</b>			
<3 months overdue	665	640	25
3 months - 6 months overdue	340	277	63
> 6 months overdue	318	159	159

**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.

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**(c) Liquidity Risk**

Liquidity risk is the risk that the Murrumbidgee LHD will be unable to meet its payment obligations when they fall due. The Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD 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.

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

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

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*Maturity Analysis and Interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	
<b>2015</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,848	----	----	5,848	5,848	----	----
- Creditors		26,548	----	----	26,548	26,548	----	----
Borrowings:								
- Loans and Deposits	2.67%	599	543	----	----	72	306	166
		<u>32,995</u>	<u>543</u>	<u>----</u>	<u>32,396</u>	<u>32,468</u>	<u>306</u>	<u>166</u>
<b>2014</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		6,554	----	----	6,554	6,554	----	----
- Creditors		23,762	----	----	23,762	23,762	----	----
Borrowings:								
- Loans and Deposits	3.09%	210	210	----	----	210	----	----
		<u>30,526</u>	<u>210</u>	<u>----</u>	<u>30,316</u>	<u>30,526</u>	<u>----</u>	<u>----</u>

Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Murrumbidgee LHD 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.



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**(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 Murrumbidgee LHD's exposures to market risk are primarily through interest rate risk on the Murrumbidgee LHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Murrumbidgee LHD 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 Murrumbidgee LHD 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 Murrumbidgee LHD's interest bearing

However, the Murrumbidgee LHD 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 Murrumbidgee LHD 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.

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

	Carrying Amount \$000	-1% Net Result	Equity	Profit	+1% Equity
<b>2015</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	7,758	(78)	(78)	78	78
Receivables	11,580	----	----	----	----
<b>Financial Liabilities</b>					
Payables	32,396	----	----	----	----
Borrowings	543	5	5	(5)	(5)
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	6,401	(64)	(64)	64	64
Receivables	10,618	----	----	----	----
<b>Financial Liabilities</b>					
Payables	30,316	----	----	----	----
Borrowings	210	2	2	(2)	(2)

#### 40. 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**