

Illawarra Shoalhaven Local Health District

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Illawarra Shoalhaven Local Health District (the District), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the District and the consolidated entity in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(ae). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

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.

In preparing the financial statements, the Chief Executive must assess the ability of the District and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting'.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Chris Clayton
Director, Financial Audit Services

7 September 2016
SYDNEY

**Illawarra Shoalhaven Local Health District
Certification of the Financial Statements
for the year ended 30 June 2016**

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

- 1) The financial statements of the Illawarra Shoalhaven Local Health District for the year ended 30 June 2016 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 Regulation 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 Illawarra Shoalhaven Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Acting
Carolyn Cooper
Chief Executive
06 September 2016



Brent Wiseman
Executive Director Finance and Corporate Services
06 September 2016

Illawarra Shoalhaven Local Health District
Statement of Financial Position as at 30 June 2016

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2016 \$000	2016 \$000	2015 \$000			2016 \$000	2016 \$000	2015 \$000		
ASSETS									
Current Assets									
34,998	29,215	24,166			34,998	29,215	24,166		
16,299	17,992	16,643		17	16,299	17,992	16,643		
7,915	7,727	7,717		18	7,915	7,727	7,717		
----	----	32,330		19	----	----	32,330		
<u>59,212</u>	<u>54,934</u>	<u>80,856</u>		20	<u>59,212</u>	<u>54,934</u>	<u>80,856</u>		
4,348	4,822	4,822			4,348	4,822	4,822		
63,560	59,756	85,678		24	63,560	59,756	85,678		
Non-Current Assets Held for Sale									
Total Current Assets									
Non-Current Assets									
Property, Plant & Equipment									
501,591	521,680	525,459			501,591	521,680	525,459		
51,946	38,216	34,650		21	51,946	38,216	34,650		
38,554	38,249	40,091		21	38,554	38,249	40,091		
<u>592,091</u>	<u>598,145</u>	<u>600,200</u>			<u>592,091</u>	<u>598,145</u>	<u>600,200</u>		
248	802	309		21	248	802	309		
99	----	----		22	99	----	----		
<u>592,438</u>	<u>598,947</u>	<u>600,509</u>		23	<u>592,438</u>	<u>598,947</u>	<u>600,509</u>		
655,998	658,703	686,187			655,998	658,703	686,187		
LIABILITIES									
Current Liabilities									
50,839	46,817	43,840			50,839	46,817	43,840		
73,812	70,498	69,066		27	73,812	70,498	69,066		
----	52	52		28	----	52	52		
<u>124,651</u>	<u>117,367</u>	<u>112,958</u>		29	<u>124,651</u>	<u>117,367</u>	<u>112,958</u>		
Total Current Liabilities									
Non-Current Liabilities									
959	959	835			959	959	835		
<u>959</u>	<u>959</u>	<u>835</u>		28	<u>959</u>	<u>959</u>	<u>835</u>		
125,610	118,326	113,793			125,610	118,326	113,793		
530,388	540,377	572,394			530,388	540,377	572,394		
Total Liabilities									
Net Assets									
EQUITY									
74,280	74,334	74,334			74,280	74,334	74,334		
456,108	466,043	498,060			456,108	466,043	498,060		
<u>530,388</u>	<u>540,377</u>	<u>572,394</u>			<u>530,388</u>	<u>540,377</u>	<u>572,394</u>		
Total Equity									

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----				
(4,961)	(4,549)	(5,213)		(546,468)	(537,429)	(514,296)
(836,300)	(827,639)	(788,740)		(4,961)	(4,549)	(5,213)
				(289,832)	(290,210)	(274,444)
<u>(841,261)</u>	<u>(832,188)</u>	<u>(793,953)</u>		<u>(841,261)</u>	<u>(832,188)</u>	<u>(793,953)</u>
Total Payments						
Receipts						
664,048	664,073	647,368		664,048	664,073	647,368
15,851	15,956	71,153		15,851	15,956	71,153
6,078	6,078	8,618		6,078	6,078	8,618
99,775	102,307	95,734		99,775	102,307	95,734
915	1,147	3,639		915	1,147	3,639
15,057	11,771	13,272		15,057	11,771	13,272
37,303	29,953	20,248		37,303	29,953	20,248
				<u>839,027</u>	<u>831,285</u>	<u>860,032</u>
<u>(2,234)</u>	<u>(903)</u>	<u>66,079</u>		<u>(2,234)</u>	<u>(903)</u>	<u>66,079</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
1,274	----	266		1,274	----	266
32,330	32,330	----		32,330	32,330	----
(20,538)	(26,378)	(76,087)		(20,538)	(26,378)	(76,087)
----	----	(8,379)		----	----	(8,379)
				<u>13,066</u>	<u>5,952</u>	<u>(84,200)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
10,832	5,049	(18,121)		10,832	5,049	(18,121)
24,166	24,166	42,287		24,166	24,166	42,287
NET INCREASE / (DECREASE) IN CASH						
Opening Cash and Cash Equivalents						
				<u>34,998</u>	<u>29,215</u>	<u>24,166</u>
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		498,060	74,334	572,394
Total Equity at 1 July 2015		498,060	74,334	572,394
Net Result for the year		(42,006)	-----	(42,006)
Other Comprehensive Income:				
Transfers on Disposal		54	(54)	-----
Total Other Comprehensive Income		54	(54)	-----
Total Comprehensive Income for the year		(41,952)	(54)	(42,006)
Balance at 30 June 2016		456,108	74,280	530,388
Balance at 1 July 2014		444,230	42,912	487,142
Total Equity at 1 July 2014		444,230	42,912	487,142
Net Result for the year		51,875	-----	51,875
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	-----	33,377	33,377
Available for Sale Financial Assets:				
Transfers on Disposal		1,955	(1,955)	-----
Total Other Comprehensive Income		1,955	31,422	33,377
Total Comprehensive Income for the year		53,830	31,422	85,252
Balance at 30 June 2015		498,060	74,334	572,394

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
	\$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	22,660	18,187	1,681	4,279	76,266	67,935	62,415	58,307	257,947	240,182	61,082	57,772	81,829	74,354	7,476	5,884	8,171	8,024	-----	-----	579,527	534,924		
Visiting Medical Officers	123	104	-----	-----	3,435	2,359	4,431	4,104	27,623	24,438	2,723	2,435	521	763	466	35	486	451	-----	-----	39,808	34,689		
Other Operating Expenses	9,650	8,254	385	825	40,593	35,492	33,729	29,714	105,060	99,874	10,012	10,111	22,539	19,397	2,582	1,444	1,971	1,238	-----	-----	226,521	206,349		
Depreciation and Amortisation	686	391	3	49	6,424	3,939	2,327	2,227	12,768	12,577	1,420	1,199	3,804	3,670	192	49	613	367	-----	-----	28,237	24,468		
Grants and Subsidies	1,253	2,466	289	80	2,055	640	1	61	135	683	257	184	-----	80	508	38	1	475	-----	-----	4,499	4,707		
Finance Costs	2	-----	-----	-----	-----	-----	-----	-----	-----	1	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	2	1	
Total Expenses Excluding Losses	34,374	29,402	2,358	5,233	128,773	110,365	102,903	94,413	403,533	377,755	75,494	71,701	108,693	98,264	11,224	7,450	11,242	10,555	-----	-----	878,594	805,138		
Revenue																								
NSW Ministry of Health Recurrent Allocations **																					664,048	647,368	664,048	647,368
NSW Ministry of Health Capital Allocations **																					15,851	71,153	15,851	71,153
Acceptance by the Crown Entity of Employee Benefits	1,535	1,234	-----	252	4,805	3,619	3,365	3,114	14,159	12,091	2,075	2,861	4,670	4,096	92	365	-----	421	-----	-----	30,701	28,053		
Sale of Goods and Services	163	94	-----	-----	20,398	19,045	1,724	1,414	57,553	53,365	3,182	2,828	18,848	16,877	102	471	20	189	-----	-----	101,990	94,283		
Investment Revenue	19	25	-----	7	141	469	55	69	537	2,460	37	91	85	357	2	15	39	146	-----	-----	915	3,639		
Grants and Contributions	1,130	368	866	429	6,245	4,582	142	515	3,359	4,653	101	49	557	441	2,290	61	1,680	1,152	-----	-----	16,370	12,250		
Other Revenue	271	29	-----	218	852	114	690	63	3,035	1,626	797	82	941	237	29	7	106	46	-----	-----	6,721	2,422		
Total Revenue	3,118	1,750	866	906	32,441	27,829	5,976	5,175	78,643	74,195	6,192	5,911	25,101	22,008	2,515	919	1,845	1,954	679,899	718,521	836,596	859,168		
Gain / (Loss) on Disposal	-----	(60)	-----	(5)	(2)	(175)	-----	(174)	(69)	(659)	299	(76)	(6)	(128)	-----	(12)	-----	(8)	-----	-----	222	(1,297)		
Other Gains / (Losses)	(4)	(3)	(1)	(6)	(48)	(143)	(7)	(32)	(117)	(483)	(9)	(22)	(38)	(163)	(3)	(2)	(3)	(4)	-----	-----	(230)	(858)		
Net Result	(31,260)	(27,715)	(1,493)	(4,338)	(96,382)	(82,854)	(96,934)	(89,444)	(325,076)	(304,702)	(69,012)	(65,888)	(83,636)	(76,547)	(8,712)	(6,545)	(9,400)	(8,613)	679,899	718,521	(42,006)	51,875		
Other Comprehensive Income																								
Net Increase/(Decrease) in PP&E Revaluation Surplus	-----	881	-----	60	-----	4,753	-----	3,084	-----	16,201	-----	2,627	-----	5,167	-----	160	-----	444	-----	-----	-----	33,377		
Total Other Comprehensive Income	-----	881	-----	60	-----	4,753	-----	3,084	-----	16,201	-----	2,627	-----	5,167	-----	160	-----	444	-----	-----	-----	33,377		
Total Comprehensive Income	(31,260)	(26,834)	(1,493)	(4,278)	(96,382)	(78,101)	(96,934)	(86,360)	(325,076)	(288,501)	(69,012)	(63,261)	(83,636)	(71,380)	(8,712)	(6,385)	(9,400)	(8,169)	679,899	718,521	(42,006)	85,252		

* The name and purpose of each service group is summarised in Note 16

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

Illawarra Shoalhaven Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																							
Current Assets																							
Cash and Cash Equivalents	1,369	882	94	157	5,130	3,313	4,099	2,834	16,074	11,338	3,007	2,152	4,330	2,949	447	224	448	317	----	----	34,998	24,166	
Receivables	26	17	----	----	3,260	3,362	275	250	9,198	9,420	509	499	3,012	2,979	16	83	3	33	----	----	16,299	16,643	
Inventories	337	309	13	31	1,418	1,327	1,179	1,111	3,671	3,736	350	378	788	725	90	54	69	46	----	----	7,915	7,717	
Financial Assets at Fair Value	----	1,181	----	210	----	4,432	----	3,791	----	15,168	----	2,879	----	3,946	----	299	----	424	----	----	----	32,330	
Non-Current Assets Held for Sale	106	77	----	10	989	776	358	439	1,966	2,479	219	236	586	723	30	10	94	72	----	----	4,348	4,822	
Total Current Assets	1,838	2,466	107	408	10,797	13,210	5,911	8,425	30,909	42,141	4,085	6,144	8,716	11,322	583	670	614	892	----	----	63,560	85,678	
Non-Current Assets																							
Property, Plant and Equipment																							
- Land and Buildings	12,189	8,407	50	1,051	114,112	84,599	41,331	47,817	226,819	270,086	25,230	25,747	67,564	78,819	3,411	1,051	10,885	7,882	----	----	501,591	525,459	
- Plant and Equipment	1,262	554	5	69	11,818	5,579	4,280	3,153	23,491	17,810	2,613	1,698	6,997	5,198	353	69	1,127	520	----	----	51,946	34,650	
- Infrastructure Systems	937	641	4	80	8,771	6,455	3,177	3,648	17,434	20,608	1,939	1,964	5,193	6,014	262	80	837	601	----	----	38,554	40,091	
Intangible Assets	6	5	----	1	56	50	20	28	114	158	12	15	33	46	2	1	5	5	----	----	248	309	
Other	4	----	----	----	15	----	12	----	45	----	9	----	12	----	1	----	1	----	----	----	99	----	
Total Non-Current Assets	14,398	9,607	59	1,201	134,772	96,683	48,820	54,646	267,903	308,662	29,803	29,424	79,799	90,077	4,029	1,201	12,855	9,008	----	----	592,438	600,509	
TOTAL ASSETS	16,236	12,073	166	1,609	145,569	109,893	54,731	63,071	298,812	350,803	33,888	35,568	88,515	101,399	4,612	1,871	13,469	9,900	----	----	655,998	686,187	
LIABILITIES																							
Current Liabilities																							
Payables	2,166	1,754	86	175	9,110	7,540	7,570	6,313	23,580	21,219	2,247	2,148	5,058	4,121	580	307	442	263	----	----	50,839	43,840	
Provisions	2,886	2,348	214	553	9,714	8,771	7,950	7,528	32,853	31,011	7,780	7,459	10,422	9,600	952	760	1,041	1,036	----	----	73,812	69,066	
Other	----	2	----	----	----	7	----	6	----	25	----	5	----	6	----	----	----	1	----	----	----	52	
Total Current Liabilities	5,052	4,104	300	728	18,824	16,318	15,520	13,847	56,433	52,255	10,027	9,612	15,480	13,727	1,532	1,067	1,483	1,300	----	----	124,651	112,958	
Non-Current Liabilities																							
Provisions	37	28	3	7	126	106	103	91	428	375	101	90	135	116	12	9	14	13	----	----	959	835	
Total Non-Current Liabilities	37	28	3	7	126	106	103	91	428	375	101	90	135	116	12	9	14	13	----	----	959	835	
TOTAL LIABILITIES	5,089	4,132	303	735	18,950	16,424	15,623	13,938	56,861	52,630	10,128	9,702	15,615	13,843	1,544	1,076	1,497	1,313	----	----	125,610	113,793	
NET ASSETS	11,147	7,941	(137)	874	126,619	93,469	39,108	49,133	241,951	298,173	23,760	25,866	72,900	87,556	3,068	795	11,972	8,587	----	----	530,388	572,394	

* The name and purpose of each service group is summarised in Note 16

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

The ISLHD, 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 15 and 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the ISLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the ISLHD 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 ISLHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive on 06 September 2016.

b) Basis of Preparation

The ISLHD'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 adjusted budget figures can be found at Note 1(ae).

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

The Secretary of Health, the Chair of the Illawarra Shoalhaven 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 ISLHD'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 ISLHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other circumstances why the going concern is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The ISLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The ISLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the ISLHD 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.

c) Comparative Information

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

d) Statement of Compliance

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

e) 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 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 2016 (comparable on-costs for 30 June 2015 were 16.7%). The ISLHD has assessed the actuarial advice based on the ISLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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

f) Insurance

The ISLHD'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.

g) 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 NSW general government sector entities.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

h) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the ISLHD 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 vehicle accidents. The ISLHD 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 ISLHD 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.

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

The ISLHD 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 ISLHD obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the ISLHD 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.

i) 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 ISLHD 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.

j) 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.

k) 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 1(ab)).

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 and operated/occupied by the ISLHD are deemed to be controlled by the ISLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

m) 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 ISLHD. 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:

	2016	2015
Buildings	2.5%	2.5%
Computer Equipment	20%	20%
Electro Medical Equipment		
- Costing less than \$200,000	10%	10%
- Costing more than or equal to \$200,000	12.5%	12.5%
Furniture, Fittings and Furnishings	5%	5%
Infrastructure Systems	2.5%	2.5%
Linen	25%	25%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%

"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.

n) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 21 and Note 25 for further information regarding fair value.

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The 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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

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.

o) 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.

p) 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.

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

The ISLHD 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.

r) Intangible Assets

The ISLHD recognises intangible assets only if it is probable that future economic benefits will flow to the ISLHD 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 ISLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the ISLHD 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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

s) Maintenance

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

t) Leased Assets

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

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.

u) 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.

v) 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. 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.

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

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

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

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

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

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

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

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

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.

x) 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.

y) 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 ISLHD transfers the financial asset:

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

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

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

z) Payables

These amounts represent liabilities for goods and services provided to the ISLHD and other amounts. Payables are recognised initially at fair 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 ISLHD.

aa) Fair Value Hierarchy

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

Refer Note 25 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

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

ac) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ad) Trust Funds

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

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

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 37.

af) Emerging Asset

The ISLHD's emerging interest in the 107 Scenic Drive, Nowra has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the ISLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 30 years using the annuity method and the Government Bond rate of 2.98% at commencement of the concession period.

ag) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 16.

Revenue and expenses are allocated to service groups using statistical data for the twelve months ended 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

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

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(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 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. 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 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 is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

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 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. 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). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	497,699	459,853
----	----	Superannuation - Defined Benefit Plans	5,391	5,708
----	----	Superannuation - Defined Contribution Plans	42,520	38,874
----	----	Long Service Leave	26,866	23,761
----	----	Redundancies	555	459
----	----	Workers' Compensation Insurance	6,634	6,194
----	----	Fringe Benefits Tax	(138)	75
-----	-----		<u>579,527</u>	<u>534,924</u>
		3. Personnel Services		
497,699	459,853	Salaries and Wages	----	----
42,520	38,874	Superannuation - Defined Contribution Plans	----	----
1,556	1,416	Long Service Leave	----	----
555	459	Redundancies	----	----
6,634	6,194	Workers' Compensation Insurance	----	----
(138)	75	Fringe Benefits Tax	----	----
<u>548,826</u>	<u>506,871</u>		<u>-----</u>	<u>-----</u>
		4. Other Operating Expenses		
333	462	Advertising	333	462
175	196	Auditor's Remuneration - Audit of Financial Statements	175	196
5,579	4,426	Blood and Blood Products	5,579	4,426
1,095	511	Consultancies	1,095	511
9,778	9,064	Domestic Supplies and Services	9,778	9,064
33,571	29,837	Drug Supplies	33,571	29,837
16,738	15,480	Food Supplies	16,738	15,480
4,425	4,630	Fuel, Light and Power	4,425	4,630
7,304	6,572	Hospital Ambulance Transport Costs	7,304	6,572
16,882	9,674	Information Management Expenses	16,882	9,674
1,002	953	Insurance	1,002	953
20,278	18,056	Maintenance (See 4(b) below)	20,278	18,056
40,302	35,012	Medical and Surgical Supplies	40,302	35,012
1,415	1,555	Motor Vehicle Expenses	1,415	1,555
1,395	1,721	Postal and Telephone Costs	1,395	1,721
2,090	2,015	Printing and Stationery	2,090	2,015
960	886	Rates and Charges	960	886
5,045	3,990	Rental	5,045	3,990
1,590	849	Hosted Services Purchased from Other NSW Health Entities	1,590	849
34,061	40,170	Special Service Departments	34,061	40,170
4,479	2,851	Staff Related Costs	4,479	2,851
2,689	2,467	Travel Related Costs	2,689	2,467
15,335	14,972	Other (See 4(a) below)	15,335	14,972
<u>226,521</u>	<u>206,349</u>		<u>226,521</u>	<u>206,349</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
4. Other Operating Expenses				
a) Other Includes:				
4,245	3,693	Contract for Patient Services	4,245	3,693
3,507	3,336	Corporate Support Services	3,507	3,336
574	622	Courier and Freight	574	622
395	482	Isolated Patient Travel and Accommodation Assistance Scheme	395	482
257	188	Legal Services	257	188
416	323	Membership/Professional Fees	416	323
1,938	1,973	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,938	1,973
1,459	1,000	Other Operating Lease Expense - Minimum Lease Payments	1,459	1,000
139	182	Quality Assurance/Accreditation	139	182
7	103	Security Services	7	103
2,398	3,070	Other Miscellaneous	2,398	3,070
<u>15,335</u>	<u>14,972</u>		<u>15,335</u>	<u>14,972</u>
b) Reconciliation of Total Maintenance				
4,717	4,678	Maintenance Contracts	4,717	4,678
11,746	7,512	New/Replacement Equipment under \$10,000	11,746	7,512
3,773	5,742	Repairs Maintenance/Non Contract	3,773	5,742
42	124	Other	42	124
<u>20,278</u>	<u>18,056</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>20,278</u>	<u>18,056</u>
2,397	2,558	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,397	2,558
<u>22,675</u>	<u>20,614</u>		<u>22,675</u>	<u>20,614</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
18,166	15,552	Depreciation - Buildings	18,166	15,552
8,053	7,139	Depreciation - Plant and Equipment	8,053	7,139
1,841	1,513	Depreciation - Infrastructure Systems	1,841	1,513
177	264	Amortisation - Intangible Assets	177	264
<hr/>				
28,237	24,468		28,237	24,468
<hr/>				
6. Grants and Subsidies				
3,681	3,706	Non-Government Organisations	3,681	3,706
----	602	Community Packages	----	602
330	274	Grants to Research Organisations	330	274
420	----	Grants to Other NSW Health Entities	420	----
68	125	Other Grants	68	125
<hr/>				
4,499	4,707		4,499	4,707
<hr/>				
7. Finance Costs				
2	1	Other Interest Charges	2	1
<hr/>				
2	1		2	1
<hr/>				

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
8. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
656	713	Pharmacy Sales	656	713
2,165	2,103	Sale of Prosthesis	2,165	2,103
45	50	Other	45	50
b) Rendering of Services comprise the following:-				
		Patient Fees		
34,053	34,842	- Inpatient Fees	34,053	34,842
1,037	934	- Nursing Home Fees	1,037	934
1,850	981	- Non Inpatient Fees	1,850	981
16,116	16,594	Department of Veterans' Affairs	16,116	16,594
102	262	Staff-Meals and Accommodation	102	262
12,600	11,300	Infrastructure Fees - Monthly Facility Charge	12,600	11,300
3,939	3,904	Infrastructure Fees - Annual Charge	3,939	3,904
1,976	758	Car Parking	1,976	758
428	400	Child Care Fees	428	400
29	----	Clinical Services (excluding Clinical Drug Trials)	29	----
297	132	Commercial Activities	297	132
118	102	Fees for Medical Records	118	102
17,964	13,472	High Cost Drugs	17,964	13,472
5,936	4,003	Motor Accident Authority Third Party	5,936	4,003
(14)	65	Patient Transport Fees	(14)	65
341	370	Private Use of Motor Vehicles	341	370
556	2,050	Salary Packaging Fee	556	2,050
1,103	----	Hosted Services Provided to Other NSW Health Entities	1,103	----
634	1,232	Services Provided to Non NSW Health Organisations	634	1,232
59	16	Other	59	16
101,990	94,283		101,990	94,283
9. Investment Revenue				
171	1,170	Interest	171	1,170
744	2,469	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	744	2,469
915	3,639		915	3,639

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
10. Grants and Contributions				
662	712	Clinical Drug Trials	662	712
4,012	3,576	Commonwealth Government Grants	4,012	3,576
2,433	2,037	Commonwealth Teaching Hospital Grants	2,433	2,037
1,559	1,168	Industry Contributions/Donations	1,559	1,168
1,235	1,251	Cancer Institute Grants	1,235	1,251
1,176	816	NSW Government Grants	1,176	816
1,745	116	Grants from Other NSW Health Entities	1,745	116
61	25	Research Grants	61	25
3,487	2,549	Other Grants	3,487	2,549
<u>16,370</u>	<u>12,250</u>		<u>16,370</u>	<u>12,250</u>
11. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	5,391	5,708
----	----	Long Service Leave	25,310	22,345
<u>----</u>	<u>----</u>		<u>30,701</u>	<u>28,053</u>
12. Other Revenue				
Other Revenue comprises the following:-				
502	177	Commissions	502	177
70	49	Conference and Training Fees	70	49
24	47	Insurance Refunds	24	47
527	453	Lease and Rental	527	453
72	66	Sale of Merchandise, Old Wares and Books	72	66
11	9	Sponsorship	11	9
4,762	1,416	Treasury Managed Fund Hindsight Adjustment	4,762	1,416
753	205	Other	753	205
<u>6,721</u>	<u>2,422</u>		<u>6,721</u>	<u>2,422</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		13. Gain / (Loss) on Disposal		
3,193	6,575	Property, Plant and Equipment	3,193	6,575
<u>(2,661)</u>	<u>(5,011)</u>	Accumulated Depreciation	<u>(2,661)</u>	<u>(5,011)</u>
532	1,564	Written Down Value	532	1,564
345	267	Proceeds from Disposal	345	267
		Gain/(Loss) on Disposal of		
<u>(187)</u>	<u>(1,297)</u>	Property, Plant and Equipment	<u>(187)</u>	<u>(1,297)</u>
520	----	Assets Held for Sale	520	----
<u>929</u>	<u>----</u>	Proceeds from Disposal	<u>929</u>	<u>----</u>
409	----	Gain/(Loss) on Disposal of Assets	409	----
		Held for Sale		
<u>222</u>	<u>(1,297)</u>	Total Gain/(Loss) on Disposal	<u>222</u>	<u>(1,297)</u>
		14. Other Gains / (Losses)		
(230)	(858)	Impairment of Receivables	(230)	(858)
<u>(230)</u>	<u>(858)</u>		<u>(230)</u>	<u>(858)</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$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	1,471	5,808	7,279
Contributions recognised in previous years which were not expended in the current reporting period	8,379	16,452	24,831
Total amount of unexpended contributions as at reporting date	9,850	22,260	32,110

Comment on restricted assets appears in Note 26

16. Service Groups of the ISLHD

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

16. Service Groups of the ISLHD

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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		17. Cash and Cash Equivalents		
13,119	23,263	Cash at Bank and On Hand	13,119	23,263
21,879	903	Short Term Deposits	21,879	903
<u>34,998</u>	<u>24,166</u>		<u>34,998</u>	<u>24,166</u>
		For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
34,998	24,166	Cash and Cash Equivalents (per Statement of Financial Position)	34,998	24,166
<u>34,998</u>	<u>24,166</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>34,998</u>	<u>24,166</u>

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		18. Receivables		
		Current		
7,676	6,265	Sale of Goods and Services	7,676	6,265
1,529	1,721	Intra Health Receivables	1,529	1,721
3,286	2,710	Goods and Services Tax	3,286	2,710
2,761	5,020	Other Debtors	2,761	5,020
15,252	15,716	Sub Total	15,252	15,716
(661)	(511)	Less Allowance for Impairment	(661)	(511)
14,591	15,205	Sub Total	14,591	15,205
1,708	1,438	Prepayments	1,708	1,438
16,299	16,643		16,299	16,643
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(505)	(803)	Balance at Commencement of Reporting Period	(505)	(803)
57	1,147	Amounts written off during the period	57	1,147
(203)	(849)	(Increase)/decrease in Allowance Recognised in the Net Result	(203)	(849)
(651)	(505)	Balance at 30 June	(651)	(505)
		b) Movement in the Allowance for Impairment		
		Other Debtors		
(6)	(10)	Balance at Commencement of Reporting Period	(6)	(10)
22	13	Amounts written off during the period	22	13
(26)	(9)	(Increase)/decrease in Allowance Recognised in the Net Result	(26)	(9)
(10)	(6)	Balance at 30 June	(10)	(6)
(661)	(511)		(661)	(511)
		c) The current and non-current sale of goods and services		
		balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
521	688	Patient Fees - Compensable	521	688
843	1,078	Patient Fees - Ineligible	843	1,078
4,568	4,102	Patient Fees - Inpatient & Other	4,568	4,102
5,932	5,868		5,932	5,868

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		19. Inventories		
2,529	2,205	Drugs	2,529	2,205
4,778	4,862	Medical and Surgical Supplies	4,778	4,862
608	650	Other Including Goods in Transit	608	650
7,915	7,717		7,915	7,717
		20. Financial Assets at Fair Value		
		Current		
-----	32,330	NSW Treasury Corporation - Hour-Glass Investment Facilities	-----	32,330
-----	32,330		-----	32,330

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
806,243	811,945	Gross Carrying Amount	806,243	811,945
304,652	286,486	Less: Accumulated Depreciation and Impairment	304,652	286,486
<u>501,591</u>	<u>525,459</u>	Net Carrying Amount	<u>501,591</u>	<u>525,459</u>
Plant and Equipment - Fair Value*				
90,560	68,019	Gross Carrying Amount	90,560	68,019
38,614	33,369	Less: Accumulated Depreciation and Impairment	38,614	33,369
<u>51,946</u>	<u>34,650</u>	Net Carrying Amount	<u>51,946</u>	<u>34,650</u>
Infrastructure Systems - Fair Value				
73,023	73,307	Gross Carrying Amount	73,023	73,307
34,469	33,216	Less: Accumulated Depreciation and Impairment	34,469	33,216
<u>38,554</u>	<u>40,091</u>	Net Carrying Amount	<u>38,554</u>	<u>40,091</u>
<u>592,091</u>	<u>600,200</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>592,091</u>	<u>600,200</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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

21. 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 \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2016					
Net carrying amount at start of year	55,395	470,064	34,650	40,091	600,200
Additions	----	6,910	12,983	----	19,893
Recognition of Assets Held for Sale	----	----	----	(46)	(46)
Disposals	----	----	(532)	----	(532)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	636	----	636
Depreciation Expense	----	(18,166)	(8,053)	(1,841)	(28,060)
Reclassifications	----	(12,612)	12,262	350	----
Net carrying amount at end of year	55,395	446,196	51,946	38,554	592,091

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2015					
Net carrying amount at start of year	52,681	410,292	28,714	29,817	521,504
Additions	----	68,256	7,883	----	76,139
Reclassifications to Intangibles	----	----	(328)	----	(328)
Recognition of Assets Held for Sale	(3,615)	(1,207)	----	----	(4,822)
Disposals	----	(910)	(654)	----	(1,564)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	98	----	98
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	5,299	25,729	----	2,349	33,377
Depreciation Expense	----	(15,552)	(7,139)	(1,513)	(24,204)
Reclassifications	1,030	(16,544)	6,076	9,438	----
Net carrying amount at end of year	55,395	470,064	34,650	40,091	600,200

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the ISLHD [see note 1(k)].
- (ii) Indices provided by Savills Valuation Pty Ltd were not applied as immaterial.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		22. Intangible Assets		
		Intangibles		
1,218	1,102	Cost (Gross Carrying Amount)	1,218	1,102
970	793	Less Accumulated Amortisation and Impairment	970	793
<u>248</u>	<u>309</u>	Net Carrying Amount	<u>248</u>	<u>309</u>
<u>248</u>	<u>309</u>	Total Intangible Assets at Net Carrying Amount	<u>248</u>	<u>309</u>

PARENT & CONSOLIDATION

22. Intangibles - Reconciliation

	Intangibles \$000
2016	
Net carrying amount at start of year	309
Additions (From Internal Development or Acquired Separately)	116
Amortisation (Recognised in Depreciation and Amortisation)	(177)
Net carrying amount at end of year	248

	Intangibles \$000
2015	
Net carrying amount at start of year	245
Reclassifications from Plant & Equipment	328
Amortisation (Recognised in Depreciation and Amortisation)	(264)
Net carrying amount at end of year	309

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		23. Other Assets		
		Non-Current		
99	-----	Emerging Rights to Assets (refer Note 1(af))	99	-----
<u>99</u>	<u>-----</u>		<u>99</u>	<u>-----</u>
		24. Non-Current Assets (or Disposal Groups) Held for Sale		
		Assets Held for Sale		
4,302	4,822	Land and Buildings	4,302	4,822
46	-----	Infrastructure Systems	46	-----
<u>4,348</u>	<u>4,822</u>		<u>4,348</u>	<u>4,822</u>

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

The majority of Kiama Hospital site is listed for disposal. Approval from NSW Government bodies has been received. Proceeds from the sales will be invested in health facilities, including the building of a community health centre on the remainder of the Kiama Site. Inpatient services historically provided at Kiama will be transferred to Port Kembla/Shellharbour facilities pending redevelopment of Shellharbour Public Hospital.

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	10,544	480,586	491,130
- Infrastructure Systems	----	----	38,554	38,554
Other Assets (Note 23) Emerging Assets	----	----	99	99
Non-Current Assets (or Disposal Groups) Held for Sale (Note 24)	----	4,348	----	4,348
	-----	14,892	519,239	534,131

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	71,308	343,742	415,050
- Infrastructure Systems	----	----	40,091	40,091
Non-Current Assets (or Disposal Groups) Held for Sale (Note 24)	----	4,822	----	4,822
	-----	76,130	383,833	459,963

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 21.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the ISLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Savills Valuation Pty Ltd for the 2014/15 financial year. Savills Valuation Pty Ltd is an independent entity and is not an associated entity of the ISLHD.

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 21 reconciliation.

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

For land, the valuation by the 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.

Illawarra Shoalhaven Local Health District
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25. Fair Value Measurement of Non-Financial Assets

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 the 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.

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	343,742	40,091	----	383,833
Additions	124,051	----	99	124,150
Transfers from Level 2	30,639	----	----	30,639
Depreciation	(17,846)	(1,841)	----	(19,687)
Reclassification and Assets Held for Sale	----	304	----	304
Fair value as at 30 June 2016	<u>480,586</u>	<u>38,554</u>	<u>99</u>	<u>519,239</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year been subject to asset revaluations consistent with the specialised nature/use of the assets.

2015	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	285,956	29,817	----	315,773
Additions	68,256	----	----	68,256
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	31,028	2,349	----	33,377
Transfers from Level 2	9,629	----	----	9,629
Transfers to Level 2	(30,049)	----	----	(30,049)
Disposals	(910)	----	----	(910)
Depreciation	(15,552)	(1,513)	----	(17,065)
Reclassifications and Assets Held for Sale	(4,616)	9,438	----	4,822
Fair value as at 30 June 2015	<u>343,742</u>	<u>40,091</u>	<u>-----</u>	<u>383,833</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year been subject to asset revaluations consistent with the specialised nature/use of the assets.

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**2016
\$000**

**2015
\$000**

**2016
\$000**

**2015
\$000**

26. Restricted Assets

The ISLHD'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

17,026	14,744	Specific Purposes	17,026	14,744
706	738	Research Grants	706	738
14,378	12,915	Private Practice Funds	14,378	12,915
<hr/>	<hr/>		<hr/>	<hr/>
32,110	28,397		32,110	28,397
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		27. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	13,684	10,458
----	----	Taxation and Payroll Deductions	1,841	758
15,525	11,216	Accrued Liability - Purchase of Personnel Services	----	----
17,972	15,232	Creditors	17,972	15,232
		Other Creditors		
5,741	7,188	- Intra Health Liability	5,741	7,188
11,601	10,204	- Other	11,601	10,204
<u>50,839</u>	<u>43,840</u>		<u>50,839</u>	<u>43,840</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
28. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	50,710	45,466
----	----	Annual Leave - Long Term Benefit	12,072	14,002
----	----	Long Service Leave Consequential On-Costs	11,030	9,598
73,812	69,066	Provision for Personnel Services Liability	----	----
73,812	69,066		73,812	69,066
Non-Current				
----	----	Long Service Leave Consequential On-Costs	959	835
959	835	Provision for Personnel Services Liability	----	----
959	835		959	835
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	73,812	69,066
----	----	Provisions - Non-Current	959	835
----	----	Accrued Salaries, Wages and On-Costs (Note 27)	15,525	11,216
90,296	81,117	Liability - Purchase of Personnel Services	----	----
90,296	81,117		90,296	81,117
29. Other Liabilities				
Current				
----	52	Income in Advance	----	52
----	52		----	52
----	52		----	52

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
30. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
9,637	3,856	Not later than one year	9,637	3,856
284	5	Later than one year and not later than five years	284	5
9,921	3,861	Total Capital Expenditure Commitments (Including GST)	9,921	3,861
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
4,433	3,576	Not later than one year	4,433	3,576
6,690	4,226	Later than one year and not later than five years	6,690	4,226
941	373	Later than five years	941	373
12,064	8,175	Total Operating Lease Commitments (Including GST)	12,064	8,175

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. \$21.985m million as at 30 June 2016 includes input tax credits of \$1.965m that are expected to be recoverable from the Australian Taxation Office (2015 \$1.301m).

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

31. Trust Funds

The ISLHD holds trust funds of \$151 thousand 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 ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	138	133	----	----	138	133
Revenue	13	5	17,304	16,420	17,317	16,425
Expenses	----	----	(17,304)	(16,420)	(17,304)	(16,420)
Balance at the end of the financial year	151	138	----	----	151	138

32. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the Illawarra Shoalhaven Local Health District to reliably quantify the hindsight benefit to be received or amount payable.

b) Contingent asset related to commitment of expenditure - refer to Note 30(c)

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
(2,234)	66,079	Net Cash Flows from Operating Activities	(2,234)	66,079
(28,237)	(24,468)	Depreciation and Amortisation	(28,237)	(24,468)
(230)	(858)	Allowance for Impairment	(230)	(858)
52	664	(Increase)/ Decrease Income in Advance	52	664
(4,870)	(3,877)	(Increase)/ Decrease in Provisions	(4,870)	(3,877)
48	4,372	Increase / (Decrease) in Prepayments and Other Assets	48	4,372
(6,963)	11,110	(Increase)/ Decrease in Payables from Operating Activities	(6,963)	11,110
222	(1,297)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	222	(1,297)
206	150	Assets donated or brought to account for the first time	206	150
(42,006)	51,875	Net Result	(42,006)	51,875
34. Non-Cash Financing and Investing Activities				
206	150	Assets Received by Donation	206	150
206	150		206	150
35. 2015/16 Voluntary Services				
<p>It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the ISLHD. Services provided include:</p> <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities 				
36. Unclaimed Monies				
<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 ISLHD 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 ISLHD.</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>				

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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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 \$10 million, primarily due to:

Employee Related expenses as a result of higher activity, use of premium Labour (Locums) and District investment in specific clinical safety initiatives. Non-cash impact of annual leave expense for staff transferring into the District and take-up of increase in leave provisions for Award increases due in July 2016 were also significant contributors. Patient Fee revenue target was not achieved due to lower take-up rate of private insurance usage. Other Revenue was favourable by \$4.3m, mainly due to TMF Hindsight favourable return and this off-set the expenses and patient fees unfavourability to budget.

Assets and Liabilities

Cash and Cash Equivalents were \$5.8m higher than budget due to capital projects continuing into next financial year. This has resulted in lower than budgeted Property Plant & Equipment (\$6.1m). Total Liabilities are \$7.3m higher due to S&W accrued number of days being higher this year and increase in Creditors as a result of moving towards standard payment number of days.

Cash Flows

Net Cash Flows from Operating Activities was influenced by higher than budgeted employee related expenses but off-set in the main by higher revenue. Net cashflows from Investing Activities saw an increase in cash of \$10.8m. This was due to capital projects continuing into next year (\$5.8m) and redemption of investments transferred to cash.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 23 June 2015 are as follows:

	\$000
Initial Allocation, 23 June 2015	632,476
Award Increases	11,380
 Special Projects	
Drug Summit 4	1,924
Nurse Midwife Initiatives	1,014
National Partnership on Homelessness	276
Integrated Care Innovator Project	259
NSW Aged Care Assessment Program	190
Living Well NSW Mental Health Reform	261
Aboriginal Family Health Coordinator Trial	120
Transfer in Drug & Alcohol projects	254
TMF Budget Adjustment	(230)
 Other	
Voluntary Redundancy Reimbursement	546
Peak Activity Initiative ED TOC	250
Peak Activity Strategies and Initiatives	200
Hospital in the Home Investment	241
Workplace Culture and Safety	211
Palliative Care Flexible Funding	182
Whole of Health Program	180
Radiation Therapist Graduate Training Positions	175
Bone Marrow Transplantation Tissue Typing Service	157
JIRT Health Clinician Program	156
Rural Doctors Obstetric Grant	111
Hospitalist Skills Program	102
MAA DVA TACP Wash Up 2014/15	(394)
IPTAAS	513
\$100 Highly Specialised Drugs Co-Payment	158
Small Projects under \$100,000 each	538
Change Management Funding	1,000
Increased Acute Admitted, Sub Acute and ED Activity	3,089
Locally Funded Initiatives Cash Allocation	8,734
	8,734
Balance as per Statement of Comprehensive Income	664,073

Illawarra Shoalhaven Local Health District
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38. Financial Instruments

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

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

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Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 17)	N/A	34,998	24,166
Receivables (note 18)*	Loans and receivables (at amortised cost)	11,305	12,495
Financial Assets at Fair Value (note 20)	At fair value through profit or loss (designated as such upon initial recognition)	-----	32,330
		<u>46,303</u>	<u>68,991</u>
Financial Liabilities			
Payables (note 27)**	Financial liabilities measured at amortised cost	48,998	43,082
		<u>48,998</u>	<u>43,082</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)

38. Financial Instruments

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

Credit risk associated with the ISLHD'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 2.81% in 2015/16 compared to 3.19% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

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 ISLHD 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 ISLHD 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 (2016: \$9.466M; 2015: \$7.171M) and not more than 3 months past due (2016: \$0.623M; 2015: \$0.615M) are not considered impaired. Together these represent 93.4% 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 ISLHD'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.

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38. Financial Instruments

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2016	\$000	\$000	\$000
<3 months overdue	651	623	28
3 months - 6 months overdue	252	171	81
> 6 months overdue	702	150	552
2015			
<3 months overdue	753	615	138
3 months - 6 months overdue	230	94	136
> 6 months overdue	327	90	237

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.

Authority Deposits

The ISLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 0.16% (2015: -1.46%), while over the year the weighted average interest rate was 2.96% (2015: 6.94%) on a weighted average balance during the year of \$21.626M (2015: \$31.679M). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the ISLHD will be unable to meet its payment obligations when they fall due. The ISLHD 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 ISLHD 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 ISLHD 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 ISLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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.

Illawarra Shoalhaven Local Health District
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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On- Costs and Payroll Deductions		13,684	----	----	13,684	13,684	----	----
- Creditors		35,314	----	----	35,314	35,314	----	----
		<u>48,998</u>	----	----	<u>48,998</u>	<u>48,998</u>	----	----
2015								
Payables:								
- Accrued Salaries Wages, On- Costs and Payroll Deductions		10,458	----	----	10,458	10,458	----	----
- Creditors		32,624	----	----	32,624	32,624	----	----
		<u>43,082</u>	----	----	<u>43,082</u>	<u>43,082</u>	----	----

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the ISLHD 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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38. Financial Instruments

(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 ISLHD's exposures to market risk are primarily through interest rate risk on the ISLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The ISLHD 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 ISLHD 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 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the ISLHD 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 ISLHD 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.

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

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	34,998	(350)	(350)	350	350
Receivables	11,305	----	----	----	----
Financial Liabilities					
Payables	48,998	----	----	----	----
2015					
Financial Assets					
Cash and Cash Equivalents	24,166	(242)	(242)	242	242
Receivables	12,495	----	----	----	----
Financial Assets at Fair Value	32,330	(323)	(323)	323	323
Financial Liabilities					
Payables	43,082	----	----	----	----

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Other price risk - TCorp Hour-Glass Investment facilities

Exposure to 'other price risk' primarily arises through the investment in the NSW TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The ISLHD has no direct equity investments. The ISLHD holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2016 \$000	2015 \$000
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	----	2,312
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	----	22,317
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	----	7,701

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. NSW TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the ISLHD's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). NSW TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

Impact on net result	Change in unit price	2016 \$000	2015 \$000
Hour-Glass Investment - Strategic cash facility	+/- 1%	----	23
Hour-Glass Investment - Medium-term growth facility	+/- 7%	----	1,339
Hour-Glass Investment - Long-term growth facility	+/- 16%	----	1,155

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the NSW TCorp Hour-Glass facilities, which are measured at fair value.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

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(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	21,879	-----	21,879
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	33,232	-----	33,232

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

As discussed, the value of the Hour-Glass Investments is based on the ISLHD's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

39. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight adjustment calculations for the 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$1.4M being recognised as a receivable at 30 June 2016.

Other than the above, there has not been any matters arising subsequent to balance that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS