

**Murrumbidgee
Local Health District**

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Murrumbidgee 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 and the statement of cash flows, and the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

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 *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.

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 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 paragraph

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

The Chief Executive's 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 be dissolved by an Act of Parliament or otherwise cease. 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 on 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.

S Bond.

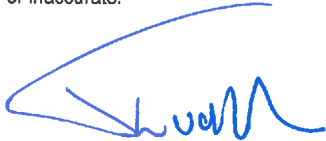
Sally Bond
Director, Financial Audit Services

6 September 2016
SYDNEY

**Murrumbidgee 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 Murrumbidgee 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 Murrumbidgee 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.



Jill Ludford
Chief Executive
5 September 2016



Maurice Ahern
Director Finance and Performance
5 September 2016

Murrumbidgee Local Health District
Statement of Comprehensive Income for the year ended 30 June 2016

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2016	2016	2015			2016	2016	2015		
\$000	\$000	\$000			\$000	\$000	\$000		
			Expenses excluding losses						
			Operating Expenses						
			Employee Related	2	295,782	292,966	278,373		
278,400	275,711	263,147	Personnel Services	3	---	---	---		
38,671	37,941	37,674	Visiting Medical Officers		38,671	37,941	37,674		
176,836	174,492	157,106	Other Operating Expenses	4	176,836	174,492	157,106		
20,046	20,006	16,519	Depreciation and Amortisation	1(m), 5	20,046	20,006	16,519		
1,737	1,656	2,505	Grants and Subsidies	6	1,737	1,656	2,505		
14	10	5	Finance Costs	1(g), 7	14	10	5		
15,088	15,407	15,794	Payments to Affiliated Health Organisations	8	15,088	15,407	15,794		
530,792	525,223	492,750	Total Expenses excluding losses		548,174	542,478	507,976		
			Revenue						
398,743	398,300	384,020	NSW Ministry of Health Recurrent Allocations	1(h)	398,743	398,300	384,020		
80,150	80,150	92,570	NSW Ministry of Health Capital Allocations	1(h)	80,150	80,150	92,570		
84,615	90,362	77,045	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	17,382	17,255	15,226		
223	180	372	Sale of Goods and Services	9	84,615	90,362	77,045		
16,223	14,090	14,164	Investment Revenue	10	223	180	372		
8,648	4,258	4,136	Grants and Contributions	11	16,223	14,090	14,164		
588,602	587,340	572,307	Other Revenue	13	8,648	4,258	4,136		
232	---	(185)	Total Revenue		605,984	604,595	587,533		
11	(532)	(389)	Gain / (Loss) on Disposal	14	232	---	(185)		
			Other Gains / (Losses)	15	11	(532)	(389)		
58,053	61,585	78,983	Net Result	32	58,053	61,585	78,983		
			Other Comprehensive Income						
			Items that will not be reclassified to net result						
(4,672)	---	---	Net Increase/(Decrease) in Property, Plant & Equipment Revaluation Surplus	21	(4,672)	---	---		
(4,672)	---	---	Total Other Comprehensive Income		(4,672)	---	---		
53,381	61,585	78,983	TOTAL COMPREHENSIVE INCOME		53,381	61,585	78,983		

The accompanying notes form part of these financial statements.

Murrumbidgee 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						
8,888	10,208	7,758		8,888	10,208	7,758
16,931	16,242	15,386	18	16,931	16,242	15,386
1,280	1,109	1,109	19	1,280	1,109	1,109
<u>27,099</u>	<u>27,559</u>	<u>24,253</u>	20	<u>27,099</u>	<u>27,559</u>	<u>24,253</u>
—	295	295		—	295	295
<u>27,099</u>	<u>27,854</u>	<u>24,548</u>	22	<u>27,099</u>	<u>27,854</u>	<u>24,548</u>
Non-Current Assets						
—	—	—		—	—	—
464,804	484,299	429,416	19	—	—	—
37,516	22,507	20,097	21	464,804	484,299	429,416
7,297	5,141	5,199	21	37,516	22,507	20,097
363	—	—	21	7,297	5,141	5,199
<u>509,980</u>	<u>511,947</u>	<u>454,712</u>	21	<u>509,980</u>	<u>511,947</u>	<u>454,712</u>
<u>509,980</u>	<u>511,947</u>	<u>454,712</u>		<u>509,980</u>	<u>511,947</u>	<u>454,712</u>
<u>537,079</u>	<u>539,801</u>	<u>479,260</u>		<u>537,079</u>	<u>539,801</u>	<u>479,260</u>
LIABILITIES						
Current Liabilities						
35,147	31,507	32,797		35,147	31,507	32,797
74	72	71	25	74	72	71
35,236	33,674	32,843	26	35,236	33,674	32,843
51	358	358	27	51	358	358
<u>70,508</u>	<u>65,611</u>	<u>66,069</u>	28	<u>70,508</u>	<u>65,611</u>	<u>66,069</u>
Non-Current Liabilities						
398	472	472		398	472	472
504	504	431	26	504	504	431
<u>902</u>	<u>976</u>	<u>903</u>	27	<u>902</u>	<u>976</u>	<u>903</u>
<u>71,410</u>	<u>66,587</u>	<u>66,972</u>		<u>71,410</u>	<u>66,587</u>	<u>66,972</u>
<u>465,669</u>	<u>473,214</u>	<u>412,288</u>		<u>465,669</u>	<u>473,214</u>	<u>412,288</u>
EQUITY						
13,437	19,865	20,666		13,437	19,865	20,666
452,232	453,349	391,622		452,232	453,349	391,622
<u>465,669</u>	<u>473,214</u>	<u>412,288</u>		<u>465,669</u>	<u>473,214</u>	<u>412,288</u>

The accompanying notes form part of these financial statements.

Murrumbidgee 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	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
—	----	----	Employee Related	(280,232)	(281,308)	(270,958)
(18,491)	(18,729)	(19,967)	Grants and Subsidies	(18,491)	(18,729)	(19,967)
(14)	(10)	(5)	Finance Costs	(14)	(10)	(5)
(513,695)	(513,125)	(478,726)	Other	(233,463)	(231,817)	(207,768)
<u>(532,200)</u>	<u>(531,864)</u>	<u>(498,698)</u>	Total Payments	<u>(532,200)</u>	<u>(531,864)</u>	<u>(498,698)</u>
Receipts						
398,743	398,300	384,018	NSW Ministry of Health Recurrent Allocations	398,743	398,300	384,018
80,150	80,150	92,570	NSW Ministry of Health Capital Allocations	80,150	80,150	92,570
4,978	4,978	5,527	Reimbursements from the Crown Entity	4,978	4,978	5,527
83,381	90,166	74,942	Sale of Goods and Services	83,381	90,166	74,942
223	180	367	Interest Received	223	180	367
16,931	14,799	14,985	Grants and Contributions	16,931	14,799	14,985
27,749	22,968	22,245	Other	27,749	22,968	22,245
<u>612,155</u>	<u>611,541</u>	<u>594,654</u>	Total Receipts	<u>612,155</u>	<u>611,541</u>	<u>594,654</u>
<u>79,955</u>	<u>79,677</u>	<u>95,956</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>79,955</u>	<u>79,677</u>	<u>95,956</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
457	60	77	Proceeds from Sale of Property, Plant & Equipment	457	60	77
(79,210)	(77,287)	(92,537)	Purchases of Property, Plant & Equipment	(79,210)	(77,287)	(92,537)
<u>(78,753)</u>	<u>(77,227)</u>	<u>(92,460)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(78,753)</u>	<u>(77,227)</u>	<u>(92,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
----	----	583	Proceeds from Borrowings and Advances	----	----	583
(72)	----	(249)	Repayment of Borrowings and Advances	(72)	----	(249)
<u>(72)</u>	<u>----</u>	<u>334</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(72)</u>	<u>----</u>	<u>334</u>
1,130	2,450	3,830	NET INCREASE / (DECREASE) IN CASH	1,130	2,450	3,830
7,758	7,758	6,401	Opening Cash and Cash Equivalents	7,758	7,758	6,401
----	----	(2,473)	Cash Transferred In/(Out) as a Result of Administrative Restructuri	----	----	(2,473)
<u>8,888</u>	<u>10,208</u>	<u>7,758</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>8,888</u>	<u>10,208</u>	<u>7,758</u>

The accompanying notes form part of these financial statements.

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

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		391,622	20,666	412,288
Total Equity at 1 July 2015		<u>391,622</u>	<u>20,666</u>	<u>412,288</u>
Net Result for the year		58,053	----	58,053
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	(4,672)	(4,672)
Available for Sale Financial Assets:				
Transfers on Disposal		2,557	(2,557)	----
Total Other Comprehensive Income		<u>2,557</u>	<u>(7,229)</u>	<u>(4,672)</u>
Total Comprehensive Income for the year		<u>60,610</u>	<u>(7,229)</u>	<u>53,381</u>
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	----	----	----
Balance at 30 June 2016		<u><u>452,232</u></u>	<u><u>13,437</u></u>	<u><u>465,669</u></u>
Balance at 1 July 2014		315,254	20,524	335,778
Total Equity at 1 July 2014		<u>315,254</u>	<u>20,524</u>	<u>335,778</u>
Net Result for the year		78,983	----	78,983
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		(142)	142	----
Total Other Comprehensive Income		<u>(142)</u>	<u>142</u>	<u>----</u>
Total Comprehensive Income for the year		<u>78,841</u>	<u>142</u>	<u>78,983</u>
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers		(2,473)	----	(2,473)
Balance at 30 June 2015		<u><u>391,622</u></u>	<u><u>20,666</u></u>	<u><u>412,288</u></u>

The accompanying notes form part of these financial statements.

Murrumbidgee 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		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	\$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	18,634	15,589	888	1,671	25,437	16,702	43,164	40,364	119,782	112,602	24,402	24,636	57,234	56,458	5,028	5,846	1,183	2,505			278,373
Visiting Medical Officers	155	151	—	—	1,121	791	8,624	7,799	22,004	20,796	3,016	3,963	3,055	3,556	657	580	39	—	—	—	37,674
Other Operating Expenses	7,958	5,813	176	314	18,921	15,711	27,410	23,880	80,460	70,855	9,019	8,798	30,062	28,750	2,299	2,514	531	471	—	—	157,108
Depreciation and Amortisation	1,022	562	—	48	1,363	876	3,428	2,957	8,018	7,153	2,105	1,173	3,709	3,370	341	306	60	74	—	—	20,046
Grants and Subsidies	—	108	761	1,763	976	554	—	8	—	25	—	—	—	13	—	13	—	—	—	—	18,519
Finance Costs	1	—	—	1	2	—	2	1	5	2	1	—	3	1	—	—	—	—	—	—	2,505
Payments to Affiliated Health Organisations	186	158	—	4	1,280	764	—	—	—	—	—	—	13,587	14,868	45	—	—	—	—	—	14
Total Expenses Excluding Losses	27,966	22,381	1,825	3,821	49,080	35,398	82,648	75,010	230,278	211,433	38,543	38,600	107,850	109,016	8,370	9,258	1,813	3,050	—	—	15,088
Revenue																					
NSW Ministry of Health Recurrent Allocations **																					
NSW Ministry of Health Capital Allocations **																					
Acceptance by the Crown Entity of Employee Benefits	1,217	700	17	40	1,599	853	2,729	2,336	7,283	7,095	1,477	1,203	2,955	2,862	35	52	70	76	—	—	384,020
Sale of Goods and Services	169	77	—	—	4,569	3,680	3,723	1,888	36,723	31,589	2,285	2,080	37,146	37,598	—	—	—	—	—	—	80,150
Investment Revenue	10	6	1	1	14	22	11	12	125	237	6	4	50	81	—	—	—	154	—	—	17,382
Grants and Contributions	130	328	(2)	14	7,755	3,244	389	652	1,332	3,208	341	198	4,888	6,494	1,288	—	—	6	9	—	84,615
Other Revenue	666	182	8	16	796	430	1,544	294	3,285	1,319	796	505	1,474	1,199	17	141	52	28	—	—	77,045
Total Revenue	2,192	1,291	24	80	14,733	8,208	8,396	5,182	48,758	43,447	4,905	3,990	46,313	48,234	1,350	193	420	317	—	—	605,984
Gain / (Loss) on Disposal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	232
Other Gains / (Losses)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11
Net Result	(25,774)	(21,090)	(1,807)	(3,741)	(34,347)	(27,189)	(74,252)	(65,828)	(181,521)	(167,986)	(35,638)	(34,610)	(61,337)	(60,782)	(7,020)	(9,066)	(1,393)	(2,733)	—	—	58,653
Other Comprehensive Income																					
Net Increase/(Decrease) in PP&E Revaluation Surplus	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Other Comprehensive Income	(25,774)	(21,090)	(1,807)	(3,741)	(34,347)	(27,189)	(74,252)	(65,828)	(181,521)	(167,986)	(35,638)	(34,610)	(61,337)	(60,782)	(7,020)	(9,066)	(1,393)	(2,733)	—	—	(4,672)
Total Comprehensive Income	(25,774)	(21,090)	(1,807)	(3,741)	(34,347)	(27,189)	(74,252)	(65,828)	(181,521)	(167,986)	(35,638)	(34,610)	(61,337)	(60,782)	(7,020)	(9,066)	(1,393)	(2,733)	—	—	53,981

* The name and purpose of each service group is summarised in Note 17

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

Murrumbidgee Local Health District
Service Group Statements (Continued)
for the year ended 30 June 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		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	\$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	453	342	30	57	796	541	1,340	1,466	3,734	3,229	625	590	1,745	1,665	136	141	29	47	8,888	7,758	
Receivables	34	15	1	731	914	731	745	377	7,348	6,308	457	415	7,433	7,508	---	---	---	31	16,931	15,386	
Inventories	58	41	1	2	137	111	198	169	582	500	65	62	218	203	17	18	4	3	1,280	1,109	
Non-Current Assets Held for Sale	---	10	---	1	---	16	---	53	---	128	---	---	21	60	---	5	---	1	---	295	
Total Current Assets	545	408	31	61	1,847	1,399	2,283	1,745	11,664	10,165	1,147	1,088	9,396	9,436	153	164	33	82	27,099	24,548	
Non-Current Assets																					
Receivables	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Property, Plant and Equipment	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
- Land and Buildings	23,705	14,600	---	1,289	31,607	22,789	79,481	76,855	185,922	185,937	48,804	30,489	85,989	87,601	7,902	7,944	1,394	1,932	464,804	429,416	
- Plant and Equipment	1,913	683	1	61	2,551	1,065	6,415	3,997	15,006	8,702	3,939	1,427	8,940	4,100	638	372	113	90	37,516	20,097	
- Infrastructure Systems	372	177	---	15	496	276	1,248	931	2,919	2,251	766	369	1,350	1,061	124	96	22	23	7,297	5,189	
- Leasehold Improvements	19	---	---	---	25	---	62	---	145	---	38	---	67	---	---	---	---	---	363	---	
Total Non-Current Assets	26,009	15,460	1	1,365	34,679	24,100	87,206	81,393	203,992	196,890	53,547	32,285	94,346	92,762	8,670	8,412	1,530	2,045	509,980	454,712	
TOTAL ASSETS	26,554	15,868	32	1,426	36,526	25,499	89,489	83,138	215,656	207,055	54,694	33,373	103,742	102,198	8,823	8,576	1,563	2,127	537,079	479,260	
LIABILITIES																					
Current Liabilities																					
Payables	1,592	1,213	35	66	3,761	3,280	5,448	4,985	14,791	14,791	1,792	1,837	5,975	6,002	457	525	105	98	35,147	32,797	
Borrowings	4	3	---	2	7	5	11	10	31	30	5	5	15	15	1	1	---	---	74	71	
Provisions	2,220	1,839	106	196	3,030	1,971	5,144	4,782	14,271	13,285	2,907	2,907	6,818	6,897	589	680	141	288	35,236	32,843	
Other	3	16	(1)	2	5	25	8	53	21	149	4	27	10	77	1	7	---	2	---	---	
Total Current Liabilities	3,809	3,071	140	266	6,803	5,281	10,611	9,810	30,315	28,255	4,708	4,776	12,818	12,991	1,058	1,223	246	386	70,508	66,069	
Non-Current Liabilities																					
Borrowings	20	21	2	3	36	33	80	70	167	186	28	36	78	101	6	8	1	3	398	472	
Provisions	32	24	---	3	43	26	74	62	204	174	42	38	98	81	9	9	2	4	504	431	
Total Non-Current Liabilities	52	45	2	6	79	59	134	132	371	370	70	74	176	192	15	18	3	7	902	903	
TOTAL LIABILITIES	3,861	3,116	142	272	6,882	5,340	10,745	9,942	30,686	28,625	4,778	4,850	12,994	13,183	1,073	1,241	249	403	71,410	66,972	
NET ASSETS	22,693	12,752	(110)	1,154	29,644	20,159	78,744	73,196	184,970	178,430	49,916	28,523	90,748	89,015	7,750	7,335	1,314	1,724	465,669	412,288	

* The name and purpose of each service group is summarised in Note 17

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

The MLHD, 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 16 and 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Murrumbidgee Local Health District Special Purpose Service Entity which was established as a Division of the MLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the MLHD to exercise its functions.

As a consequence the values in the 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 MLHD 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 05 September 2016.

b) Basis of Preparation

The MLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (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(ag).

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

The Secretary of Health, the Chair of the Murrumbidgee Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the MLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the MLHD fails to meet Service Agreement performance standards, the 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 MLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the MLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the 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.

Murrumbidgee 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 MLHD has assessed the actuarial advice based on the MLHD'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 MLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the MLHD as shown in Note 27.

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

f) Insurance

The MLHD's insurance activities are conducted through the NSW Treasury Managed Fund 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.

Murrumbidgee 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 MLHD 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 MLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

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

Investment Revenue

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

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

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

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

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

Grants and Contributions

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

Murrumbidgee 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 MLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

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

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

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(ad)).

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 MLHD are deemed to be controlled by the MLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

Murrumbidgee 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 MLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	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.

Investment property is separately discussed at Note 1(r).

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 23 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.

Murrumbidgee 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 MLHD 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) Investment Properties

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

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

s) Intangible Assets

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

Computer software developed or acquired by the MLHD 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.

Murrumbidgee 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

t) 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.

u) 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.

v) 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.

w) 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.

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

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

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

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

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the MLHD 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 MLHD commits to purchase or sell the asset.

Murrumbidgee 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.

y) 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.

z) 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 MLHD transfers the financial asset:

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

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

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

aa) Payables

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

ab) Borrowings

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

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

ac) Fair Value Hierarchy

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

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

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

Refer Note 23 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

1. Summary of Significant Accounting Policies

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

ae) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

af) Trust Funds

The MLHD receives monies in a trustee capacity for various trusts as set out in Note 30.

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

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 36.

ah) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 17.

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 MLHD identifies those components that can be specifically identified and reported by service groups.

Murrumbidgee 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**

ai) **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.

Murrumbidgee 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
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	252,581	236,733
----	----	Superannuation - Defined Benefit Plans	3,432	3,615
----	----	Superannuation - Defined Contribution Plans	21,439	19,853
----	----	Long Service Leave	14,854	12,248
----	----	Redundancies	49	2,499
----	----	Workers' Compensation Insurance	3,405	3,380
----	----	Fringe Benefits Tax	22	45
-----	-----		-----	-----
-----	-----		295,782	278,373
-----	-----		-----	-----
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Land and Buildings	1,664	667
		3. Personnel Services		
252,581	236,733	Salaries and Wages	----	----
21,439	19,853	Superannuation - Defined Contribution Plans	----	----
903	637	Long Service Leave	----	----
49	2,499	Redundancies	----	----
3,405	3,380	Workers' Compensation Insurance	----	----
22	45	Fringe Benefits Tax	----	----
-----	-----		-----	-----
278,400	263,147		-----	-----
-----	-----		-----	-----
		The amounts below are capitalised and do not form part of the above total personnel services:		
1,664	667	Personnel Services Expenses Capitalised - Land and Buildings	----	----
		4. Other Operating Expenses		
106	151	Advertising	106	151
95	118	Auditor's Remuneration - Audit of Financial Statements	95	118
2,237	2,137	Blood and Blood Products	2,237	2,137
258	74	Consultancies	258	74
110	35	Contractors	110	35
15,855	14,667	Domestic Supplies and Services	15,855	14,667
13,865	10,317	Drug Supplies	13,865	10,317
15,841	15,130	Food Supplies	15,841	15,130
4,392	5,960	Fuel, Light and Power	4,392	5,960
14,862	13,840	Hospital Ambulance Transport Costs	14,862	13,840
8,046	7,335	Information Management Expenses	8,046	7,335
711	968	Insurance	711	968
16,685	12,697	Maintenance (See 4(b) below)	16,685	12,697
15,586	15,029	Medical and Surgical Supplies	15,586	15,029

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

1,105	1,143	Motor Vehicle Expenses	1,105	1,143
1,063	1,210	Postal and Telephone Costs	1,063	1,210
992	936	Printing and Stationery	992	936
748	1,101	Rates and Charges	748	1,101
3,653	3,630	Rental	3,653	3,630
3,871	2,115	Hosted Services Purchased from Other NSW Health Entities	3,871	2,115
30,636	27,412	Special Service Departments	30,636	27,412
4,325	3,453	Staff Related Costs	4,325	3,453
2,805	2,339	Travel Related Costs	2,805	2,339
18,989	15,309	Other (See 4(a) below)	18,989	15,309
<u>176,836</u>	<u>157,106</u>		<u>176,836</u>	<u>157,106</u>

Murrumbidgee 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
4. Other Operating Expenses				
a) Other Includes:				
1,917	1,989	Contract for Patient Services	1,917	1,989
6,027	4,539	Corporate Support Services	6,027	4,539
380	403	Courier and Freight	380	403
2,964	3,140	Isolated Patient Travel and Accommodation Assistance Scheme	2,964	3,140
96	108	Legal Services	96	108
343	177	Membership/Professional Fees	343	177
2,001	1,902	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,001	1,902
189	203	Other Operating Lease Expense - Minimum Lease Payments	189	203
13	119	Quality Assurance/Accreditation	13	119
257	281	Security Services	257	281
414	----	Services Purchased from Health Reform Transition Organisations	414	----
4,388	2,448	Other Miscellaneous	4,388	2,448
<u>18,989</u>	<u>15,309</u>		<u>18,989</u>	<u>15,309</u>
b) Reconciliation of Total Maintenance				
2,992	2,971	Maintenance Contracts	2,992	2,971
8,632	5,447	New/Replacement Equipment under \$10,000	8,632	5,447
4,960	4,254	Repairs Maintenance/Non Contract	4,960	4,254
101	25	Other	101	25
16,685	12,697	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	16,685	12,697
2,721	2,826	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,721	2,826
<u>19,406</u>	<u>15,523</u>		<u>19,406</u>	<u>15,523</u>

Murrumbidgee 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				
14,501	12,949	Depreciation - Buildings	14,501	12,949
5,154	3,222	Depreciation - Plant and Equipment	5,154	3,222
383	348	Depreciation - Infrastructure Systems	383	348
8	----	Amortisation - Leasehold Improvements	8	----
<u>20,046</u>	<u>16,519</u>		<u>20,046</u>	<u>16,519</u>
6. Grants and Subsidies				
1,359	1,450	Non-Government Organisations	1,359	1,450
----	1,028	Community Packages	----	1,028
368	----	Grants to Other NSW Health Entities	368	----
10	27	Other Grants	10	27
<u>1,737</u>	<u>2,505</u>		<u>1,737</u>	<u>2,505</u>
7. Finance Costs				
14	5	Interest on Loans	14	5
<u>14</u>	<u>5</u>		<u>14</u>	<u>5</u>
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
15,088	15,794	Mercy Health Service	15,088	15,794
<u>15,088</u>	<u>15,794</u>		<u>15,088</u>	<u>15,794</u>

Murrumbidgee 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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
63	44	Pharmacy Sales	63	44
820	760	Sale of Prosthesis	820	760
11	5	Other	11	5
b) Rendering of Services comprise the following:-				
		Patient Fees		
34,374	32,781	- Inpatient Fees	34,374	32,781
7,874	7,508	- Nursing Home Fees	7,874	7,508
1,933	1,190	- Non Inpatient Fees	1,933	1,190
10,337	11,217	Department of Veterans' Affairs	10,337	11,217
202	163	Staff-Meals and Accommodation	202	163
80	45	Infrastructure Fees - Monthly Facility Charge	80	45
15	19	Cafeteria/Kiosk	15	19
109	35	Car Parking	109	35
5,637	5,060	Clinical Services (excluding Clinical Drug Trials)	5,637	5,060
(268)	422	Commercial Activities	(268)	422
47	22	Fees for Medical Records	47	22
5	6	Information Retrieval	5	6
6,048	3,242	High Cost Drugs	6,048	3,242
29	----	Linen Service Revenues - Non Health Services	29	----
2	7	Meals on Wheels	2	7
2,664	2,332	Motor Accident Authority Third Party	2,664	2,332
62	30	Patient Transport Fees	62	30
33	22	Private Use of Motor Vehicles	33	22
317	179	Salary Packaging Fee	317	179
1,215	----	Hosted Services Provided to Other NSW Health Entities	1,215	----
320	696	Services Provided to Non NSW Health Organisations	320	696
6	----	Use of Ambulance Facilities	6	----
12,522	11,016	Multi Purpose Service Centre Fees	12,522	11,016
158	244	Other	158	244
84,615	77,045		84,615	77,045
10. Investment Revenue				
223	372	Interest	223	372
223	372		223	372

Murrumbidgee 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
11. Grants and Contributions				
4,059	4,059	Commonwealth Government Grants	4,059	4,059
70	78	Commonwealth Teaching Hospital Grants	70	78
1,013	981	Industry Contributions/Donations	1,013	981
4,972	4,555	Cancer Institute Grants	4,972	4,555
820	759	NSW Government Grants	820	759
3,704	2,440	Grants from Other NSW Health Entities	3,704	2,440
3	66	Research Grants	3	66
1,582	1,226	Other Grants	1,582	1,226
<u>16,223</u>	<u>14,164</u>		<u>16,223</u>	<u>14,164</u>
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
---	---	Superannuation-defined benefit	3,431	3,615
---	---	Long Service Leave	13,951	11,611
<u>---</u>	<u>---</u>		<u>17,382</u>	<u>15,226</u>
13. Other Revenue				
Other Revenue comprises the following:-				
2	1	Bad Debts Recovered	2	1
17	17	Commissions	17	17
448	493	Conference and Training Fees	448	493
120	---	Discounts	120	---
---	39	Insurance Refunds	---	39
896	838	Lease and Rental	896	838
47	15	Property not Previously Recognised	47	15
---	4	Sale of Merchandise, Old Wares and Books	---	4
4,373	2,384	Treasury Managed Fund Hindsight Adjustment	4,373	2,384
2,745	345	Other	2,745	345
<u>8,648</u>	<u>4,136</u>		<u>8,648</u>	<u>4,136</u>

Murrumbidgee 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
14. Gain / (Loss) on Disposal				
47,557	4,646	Property, Plant and Equipment	47,557	4,646
(47,557)	(4,610)	Accumulated Depreciation	(47,557)	(4,610)
-----	36	Written Down Value	-----	36
7	27	Proceeds from Disposal	7	27
-----	-----		-----	-----
<u>7</u>	<u>(9)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>7</u>	<u>(9)</u>
-----	208	Assets Held for Sale	-----	208
225	32	Proceeds from Disposal	225	32
-----	-----	Gain/(Loss) on Disposal of Assets Held for Sale	-----	-----
<u>225</u>	<u>(176)</u>		<u>225</u>	<u>(176)</u>
-----	-----		-----	-----
<u>232</u>	<u>(185)</u>	Total Gain/(Loss) on Disposal	<u>232</u>	<u>(185)</u>
15. Other Gains / (Losses)				
659	-----	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	659	-----
(648)	(389)	Impairment of Receivables	(648)	(389)
-----	-----		-----	-----
<u>11</u>	<u>(389)</u>		<u>11</u>	<u>(389)</u>

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

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	5	3,562	210	3,777
Contributions recognised in previous years which were not expended in the current reporting period	114	463	17	594
Total amount of unexpended contributions as at reporting date	119	4,025	227	4,371

Comment on restricted assets appears in Note 24

17. Service Groups of the MLHD

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.

17. Service Groups of the MLHD

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.

Murrumbidgee 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
18. Cash and Cash Equivalents				
3,888	2,758	Cash at Bank and On Hand	3,888	2,758
5,000	5,000	Short Term Deposits	5,000	5,000
<u>8,888</u>	<u>7,758</u>		<u>8,888</u>	<u>7,758</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>8,888</u>	<u>7,758</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>8,888</u>	<u>7,758</u>
<u>8,888</u>	<u>7,758</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>8,888</u>	<u>7,758</u>

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

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

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		19. Receivables		
		Current		
8,078	7,819	Sale of Goods and Services	8,078	7,819
4,064	3,503	Intra Health Receivables	4,064	3,503
2,543	2,313	Goods and Services Tax	2,543	2,313
2,257	649	Other Debtors	2,257	649
<u>16,942</u>	<u>14,284</u>	Sub Total	<u>16,942</u>	<u>14,284</u>
(497)	(391)	Less Allowance for Impairment	(497)	(391)
16,445	13,893	Sub Total	16,445	13,893
486	1,493	Prepayments	486	1,493
<u><u>16,931</u></u>	<u><u>15,386</u></u>		<u><u>16,931</u></u>	<u><u>15,386</u></u>
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(374)	----	Balance at Commencement of Reporting Period	(374)	----
521	(374)	Amounts written off during the period	521	(374)
7	----	Amounts recovered during the period	7	----
(615)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(615)	----
<u>(462)</u>	<u>(374)</u>	Balance at 30 June	<u>(462)</u>	<u>(374)</u>
		b) Movement in the Allowance for Impairment		
		Other Debtors		
(17)	----	Balance at Commencement of Reporting Period	(17)	----
14	(16)	Amounts written off during the period	14	(16)
(33)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(33)	----
<u>(35)</u>	<u>(17)</u>	Balance at 30 June	<u>(35)</u>	<u>(17)</u>
<u><u>(497)</u></u>	<u><u>(391)</u></u>		<u><u>(497)</u></u>	<u><u>(391)</u></u>
		Non-Current		
		Prepayments		
----	----		----	----
<u><u>----</u></u>	<u><u>----</u></u>		<u><u>----</u></u>	<u><u>----</u></u>
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
720	874	Patient Fees - Compensable	720	874
297	466	Patient Fees - Ineligible	297	466
<u>5,880</u>	<u>4,626</u>	Patient Fees - Inpatient & Other	<u>5,880</u>	<u>4,626</u>

Murrumbidgee 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
19. Receivables			
<u>6,897</u>	<u>5,966</u>	<u>6,897</u>	<u>5,966</u>

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

Murrumbidgee 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
20. Inventories				
272	310	Drugs	272	310
614	629	Medical and Surgical Supplies	614	629
115	122	Engineering Supplies	115	122
279	48	Other Including Goods in Transit	279	48
1,280	1,109		1,280	1,109
1,280	1,109		1,280	1,109

Murrumbidgee 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
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
734,112	719,354	Gross Carrying Amount	734,112	719,354
269,308	289,938	Less: Accumulated Depreciation and Impairment	269,308	289,938
464,804	429,416	Net Carrying Amount	464,804	429,416
Plant and Equipment - Fair Value*				
63,388	44,112	Gross Carrying Amount	63,388	44,112
25,872	24,015	Less: Accumulated Depreciation and Impairment	25,872	24,015
37,516	20,097	Net Carrying Amount	37,516	20,097
Infrastructure Systems - Fair Value				
17,975	12,826	Gross Carrying Amount	17,975	12,826
10,678	7,627	Less: Accumulated Depreciation and Impairment	10,678	7,627
7,297	5,199	Net Carrying Amount	7,297	5,199
Leasehold Improvements - Fair Value*				
371	----	Gross Carrying Amount	371	----
8	----	Less: Accumulated Depreciation and Impairment	8	----
363	----	Net Carrying Amount	363	----
509,980	454,712	Total Property, Plant and Equipment At Net Carrying Amount	509,980	454,712

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

Murrumbidgee Local Health District
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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	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	30,270	399,146	20,097	5,199	----	454,712
Additions	----	57,951	18,319	----	----	76,270
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	3,057	----	----	3,057
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(2,023)	(4,471)	----	2,481	----	(4,013)
Depreciation Expense	----	(14,501)	(5,154)	(383)	(8)	(20,046)
Reclassifications	----	(1,568)	1,197	----	371	----
Net carrying amount at end of year	28,247	436,557	37,516	7,297	363	509,980

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
Net carrying amount at start of year	30,640	327,096	16,293	5,072	----	379,101
Additions	----	90,053	5,136	----	----	95,189
Recognition of Assets Held for Sale	(370)	----	----	----	----	(370)
Disposals	----	----	(36)	----	----	(36)
Administrative Restructures - Transfers In/(Out)	----	(2,653)	----	----	----	(2,653)
Depreciation Expense	----	(12,949)	(3,222)	(348)	----	(16,519)
Reclassifications	----	(2,401)	1,926	475	----	----
Net carrying amount at end of year	30,270	399,146	20,097	5,199	0	454,712

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

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

Murrumbidgee Local Health District
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for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
22. Non-Current Assets (or Disposal Groups) Held for Sale				
		Assets Held for Sale		
-----	295	Land and Buildings	-----	295
-----	295		-----	295
=====	=====		=====	=====

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.

Land at Temora (Narraburra Nursing Home) was held for sale in 2014/15 and subsequently sold in 2015/16.

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

23. 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	----	2,837	265,367	268,204
- Infrastructure Systems	----	----	7,297	7,297
	-----	2,837	272,664	275,501

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	----	3,366	223,917	227,283
- Infrastructure Systems	----	----	5,199	5,199
Non-Current Assets (or Disposal Groups) Held for Sale (Note 22)	----	295	----	295
	-----	3,661	229,116	232,777

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 MLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Opteon Property Group for the FY15/16 financial year. Opteon Property Group is an independent entity and is not an employee of the MLHD.

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:

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	223,917	4,740	228,657
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(7,661)	2,481	(5,180)
Transfers from Level 2	1,199	----	1,199
Depreciation	(12,213)	(382)	(12,595)
OTHER - Assets recognised at FV for first time	60,125	458	60,583
Fair value as at 30 June 2016	<u>265,367</u>	<u>7,297</u>	<u>272,664</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	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	237,600	5,072	242,672
Depreciation	(11,562)	(348)	(11,910)
Administrative Restructures - Transfers In/(Out)	(2,653)	----	(2,653)
OTHER - Adjustment 2014 balances	532	16	548
Fair value as at 30 June 2015	<u>223,917</u>	<u>4,740</u>	<u>228,657</u>

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
24. Restricted Assets				
<p>The MLHD'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.</p>				
Category				
2,868	3,157	Specific Purposes	2,868	3,157
60	38	Education	60	38
1,258	1,619	Frontline Health Services	1,258	1,619
185	190	Other	185	190
<u>4,371</u>	<u>5,004</u>		<u>4,371</u>	<u>5,004</u>

Murrumbidgee 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
		25. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	5,750	5,848
----	----	Taxation and Payroll Deductions	1,382	401
7,132	6,249	Accrued Liability - Purchase of Personnel Services	----	----
13,562	15,099	Creditors	13,562	15,099
		Other Creditors		
59	248	- Capital Works	59	248
8,787	6,007	- Intra Health Liability	8,787	6,007
5,607	5,194	- Other	5,607	5,194
<u>35,147</u>	<u>32,797</u>		<u>35,147</u>	<u>32,797</u>

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

		26. Borrowings		
		Current		
74	71	Other Loans and Deposits	74	71
<u>74</u>	<u>71</u>		<u>74</u>	<u>71</u>
		Non-Current		
398	472	Other Loans and Deposits	398	472
<u>398</u>	<u>472</u>		<u>398</u>	<u>472</u>

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

Final Repayment is scheduled for 30 June 2022

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

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

Murrumbidgee 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
27. Provisions				
Current				
---	---	Annual Leave - Short Term Benefit	26,014	22,651
---	---	Annual Leave - Long Term Benefit	3,429	5,230
---	---	Long Service Leave Consequential On-Costs	5,793	4,962
35,236	32,843	Provision for Personnel Services Liability	-----	-----
<u>35,236</u>	<u>32,843</u>		<u>35,236</u>	<u>32,843</u>
Non-Current				
---	---	Long Service Leave Consequential On-Costs	504	431
504	431	Provision for Personnel Services Liability	-----	-----
<u>504</u>	<u>431</u>		<u>504</u>	<u>431</u>
Aggregate Employee Benefits and Related On-Costs				
---	---	Provisions - Current	35,236	32,843
---	---	Provisions - Non-Current	504	431
---	---	Accrued Salaries, Wages and On-Costs (Note 25)	7,132	6,249
42,872	39,523	Liability - Purchase of Personnel Services	-----	-----
<u>42,872</u>	<u>39,523</u>		<u>42,872</u>	<u>39,523</u>
28. Other Liabilities				
Current				
51	358	Income in Advance	51	358
<u>51</u>	<u>358</u>		<u>51</u>	<u>358</u>

Murrumbidgee 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
29. 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:				
19,965	54,360	Not later than one year	19,965	54,360
4,472	33	Later than one year and not later than five years	4,472	33
-----	-----	Later than five years	-----	-----
<u>24,437</u>	<u>54,393</u>	Total Capital Expenditure Commitments (Including GST)	<u>24,437</u>	<u>54,393</u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
2,496	2,248	Not later than one year	2,496	2,248
2,671	2,388	Later than one year and not later than five years	2,671	2,388
333	-----	Later than five years	333	-----
<u>5,500</u>	<u>4,636</u>	Total Operating Lease Commitments (Including GST)	<u>5,500</u>	<u>4,636</u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

c) **Contingent Asset Related to Commitments for Expenditure**

The total of 'Commitments for Expenditure' above, i.e. \$29.20M million as at 30 June 2016 includes input tax credits of \$2.64M that are expected to be recoverable from the Australian Taxation Office (2015 \$5.37M).

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

30. Trust Funds

The MLHD holds trust funds of \$2.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	111	149	38	38	2,501	2,655	2,650	2,842
Revenue	1,407	85	30	6	9,161	9,511	10,598	9,602
Expenses	(295)	(123)	(39)	(6)	(10,845)	(9,665)	(11,179)	(9,794)
Balance at the end of the financial year	1,223	111	29	38	817	2,501	2,069	2,650

PARENT AND CONSOLIDATED

31. 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 Murrumbidgee LHD to reliably quantify the hindsight benefit to be received or amount payable.

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
79,955	95,956	Net Cash Flows from Operating Activities	79,955	95,956
(20,046)	(16,519)	Depreciation and Amortisation	(20,046)	(16,519)
(648)	(389)	Allowance for Impairment	(648)	(389)
307	(313)	(Increase)/ Decrease Income in Advance	307	(313)
(2,466)	161	(Increase)/ Decrease in Provisions	(2,466)	161
2,535	860	Increase / (Decrease) in Prepayments and Other Assets	2,535	860
(2,522)	(605)	(Increase)/ Decrease in Payables from Operating Activities	(2,522)	(605)
659	---	Revaluation of Property, Plant and Equipment recognised in "Other gains/(losses)"	659	---
232	(185)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	232	(185)
47	17	Assets donated or brought to account for the first time	47	17
58,053	78,983	Net Result	58,053	78,983
33. Non-Cash Financing and Investing Activities				
47	17	Assets Received by Donation	47	17
47	17		47	17
34. 2015/16 Voluntary Services				
<p>It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the MLHD. 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 				
35. 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 MLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of MLHD.</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>				

PARENT AND CONSOLIDATION

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$4 million, primarily due to:

- Increased costs associated with higher acute inpatient activity and emergency department presentations, principally at the Wagga Wagga Rural Referral Hospital (WRRRH). Higher costs were also taken up in recognising increased annual leave and associated liabilities.
- A reduction in DVA activity and lower funding (down \$1.7M) from the Commonwealth. Other revenues from workers Compensation and other compensable patients have also reduced in 2015/16.

Assets and Liabilities

Non-current Assets variance to budget was not material however recognition of the WRRRH redevelopment and other capital projects resulted in a net increase in values of \$55.3M compared to the prior year. Current liabilities were higher than budget due to the timing of creditor payments including to the ATO and other health entities.

Cash Flows

Overall cash Flows were in line with the allocated budget

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

	\$000
Initial Allocation	399,617
Trf Services to Albury Wodonga Health	(13,046)
Drug & Alcohol Supplementations	945
Integrated Care innovation Funding	445
Isolated Patients Travel & Assistance Scheme	1,763
Increased Acuity	3,150
Rural Doctors Incentive Grant	507
Nursing Staff Enhancements	1,361
Rural Training Grants	747
Cash Management Adjustment	1,400
Other Adjustments	1,411
	398,300
Balance as per Statement of Comprehensive Income	398,300

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

Equity transfers effected in the 2014/15 year were:

A decrease in net assets of \$2.5M relating to the transfer of Community Health & Community Mental Health Buildings located in Albury to Albury Wodonga Health.

Equity transfers effected in the 2015/16 year were:

Nil equity transfers

Equity transfers effected comprised:

Albury Wodonga Health - Community Health & Community Mental Health Buildings

Crown Entity - Transfer of Long Service Leave On-costs

	2016	2015
	\$000	\$000
	-	(2,653)
	-	180
	-----	(2,473)

Assets and Liabilities transferred are as follows:

	2016	2015
	\$000	\$000
Assets		
Buildings	-	(2,653)
Liabilities		
Long Service Leave Liability	-	180
Increase/(Decrease) in Net Assets From Equity Transfers	-----	(2,473)

Murrumbidgee Local Health District
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38. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 18)	N/A	8,888	7,758
Receivables (note 19)*	Loans and receivables (at amortised cost)	13,902	11,580
		22,790	19,338
Financial Liabilities			
Borrowings (note 26)	Financial liabilities measured at amortised cost	472	543
Payables (note 25)**	Financial liabilities measured at amortised cost	33,765	32,396
		34,237	32,939

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)

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 18)	N/A	8,888	7,758
Receivables (note 19)*	Loans and receivables (at amortised cost)	13,902	11,580
		22,790	19,338

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38. Financial Instruments

Financial Liabilities

Borrowings (note 26)		472	543
Payables (note 25)**	Financial liabilities measured at amortised cost	33,765	32,396
		34,237	32,939

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)

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

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

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 2.60% in 2015/16 compared to 3.10% in the previous year.

Receivables - trade debtors

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

The MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$4.23M; 2015: \$2.76M) and not more than 3 months past due (2016: \$1.07M; 2015: \$0.72M) are not considered impaired. Together these represent 88.5% 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 MLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

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38. Financial Instruments

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	1,130	1,072	58
3 months - 6 months overdue	439	288	151
> 6 months overdue	356	68	288
2015			
<3 months overdue	764	731	33
3 months - 6 months overdue	469	314	155
> 6 months overdue	496	293	203

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.

(c) Liquidity Risk

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

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

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.

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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000
2016							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,750	----	5,750	5,750	----	----
- Creditors		28,015	----	28,015	28,015	----	----
Borrowings:							
- Loans and Deposits	2.67%	472	472	----	74	314	84
		<u>34,237</u>	<u>472</u>	<u>33,765</u>	<u>33,839</u>	<u>314</u>	<u>84</u>
2015							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,848	----	5,848	5,848	----	----
- Creditors		26,548	----	26,548	26,548	----	----
Borrowings:							
- Loans and Deposits	2.67%	543	543	----	72	306	166
		<u>32,939</u>	<u>543</u>	<u>32,396</u>	<u>32,468</u>	<u>306</u>	<u>166</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 MLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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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 MLHD's exposures to market risk are primarily through interest rate risk on the MLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The MLHD 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 MLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the MLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The MLHD 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 MLHD'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	8,888	(89)	(89)	89	89
Receivables	13,902	---	---	---	---
Financial Liabilities					
Payables	33,765	---	---	---	---
Borrowings	472	5	5	(5)	(5)
2015					
Financial Assets					
Cash and Cash Equivalents	7,758	(78)	(78)	78	78
Receivables	11,580	---	---	---	---
Financial Liabilities					
Payables	32,396	---	---	---	---
Borrowings	543	5	5	(5)	(5)
Other	---	---	---	---	---

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39. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$1,856,084 being recognised as a receivable at 30 June 2016. Other than the above, there has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS