

**Far West
Local Health District**

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Far West Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Far West Local Health District (the District), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

Parliament 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
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of financial statements that 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 except where operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

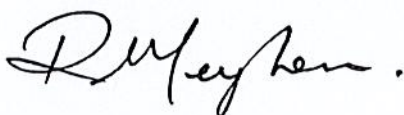
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. 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
- about any other information which may have been hyperlinked to/from the financial statements.



Renee Meimaroglou
Director, Financial Audit Services

25 September 2017
SYDNEY

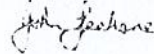
**Far West Local Health District
Certification of the Financial Statements
for the year ended 30 June 2017**

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

- 1) The financial statements of the Far West Local Health District for the year ended 30 June 2017 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* (the Act); and
 - c) financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Far West Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Stephen Rodwell
Acting Chief Executive
5 September 2017



John Leehane
Director of Finance and Corporate Services
5 September 2017

Far West Local Health District
Statement of Comprehensive Income for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
Expenses excluding losses						
Operating Expenses						
----	----	----				
				2	68,493	69,839
66,669	68,015	61,746		3	----	----
6,657	4,029	6,917			6,657	4,029
30,999	28,318	28,912		4	30,999	28,318
5,110	5,095	4,894		1(l), 5	5,110	5,095
2,274	2,039	4,161		6	2,274	2,039
111,709	107,496	106,630			113,533	109,320
Total Expenses excluding losses						
Revenue						
87,690	87,690	86,713		1(g)	87,690	87,690
6,331	6,288	6,030		1(g)	6,331	6,288
----	----	----		1(e)(ii),10	1,824	1,824
11,511	11,214	12,689		1(g), 7	11,511	11,214
20	----	22		1(g),8	20	----
3,049	2,285	3,034		1(g),9	3,049	2,285
948	793	1,957		11	948	793
109,549	108,270	110,445			111,373	110,094
(41)	----	(3)		12	(41)	----
(66)	----	(133)		13	(66)	----
(2,267)	774	3,679		27	(2,267)	774
Net Result						
Other Comprehensive Income						
Items that will not be reclassified to net result						
Net Increase/(Decrease) in Property, Plant &						
2,270	----	1,172		18	2,270	----
2,270	----	1,172			2,270	----
3	774	4,851			3	774
TOTAL COMPREHENSIVE INCOME						

The accompanying notes form part of these financial statements.

Far West Local Health District
Statement of Financial Position as at 30 June 2017

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual			
2017	2017	2016		2017	2017	2016			
\$000	\$000	\$000		\$000	\$000	\$000			
ASSETS									
Current Assets									
3,632	4,509	5,002		3,632	4,509	5,002			
4,067	3,448	3,449	15	4,067	3,448	3,449			
194	175	175	16	194	175	175			
<u>7,893</u>	<u>8,132</u>	<u>8,626</u>	17	<u>7,893</u>	<u>8,132</u>	<u>8,626</u>			
Total Current Assets									
Non-Current Assets									
3	4	4		3	4	4			
96,899	94,576	93,728	16	96,899	94,576	93,728			
6,026	6,715	5,982	18	6,026	6,715	5,982			
2,334	2,370	2,382	18	2,334	2,370	2,382			
<u>105,259</u>	<u>103,661</u>	<u>102,092</u>		<u>105,259</u>	<u>103,661</u>	<u>102,092</u>			
234	207	208	18	234	207	208			
<u>105,496</u>	<u>103,872</u>	<u>102,304</u>	19	<u>105,496</u>	<u>103,872</u>	<u>102,304</u>			
<u>113,389</u>	<u>112,004</u>	<u>110,930</u>		<u>113,389</u>	<u>112,004</u>	<u>110,930</u>			
Total Non-Current Assets									
Total Assets									
LIABILITIES									
Current Liabilities									
9,469	7,308	7,166		9,469	7,308	7,166			
9,317	9,323	9,163	22	9,317	9,323	9,163			
<u>18,786</u>	<u>16,631</u>	<u>16,329</u>	23	<u>18,786</u>	<u>16,631</u>	<u>16,329</u>			
Total Current Liabilities									
Non-Current Liabilities									
102	102	103		102	102	103			
<u>102</u>	<u>102</u>	<u>103</u>	23	<u>102</u>	<u>102</u>	<u>103</u>			
<u>18,888</u>	<u>16,733</u>	<u>16,432</u>		<u>18,888</u>	<u>16,733</u>	<u>16,432</u>			
<u>94,501</u>	<u>95,271</u>	<u>94,498</u>		<u>94,501</u>	<u>95,271</u>	<u>94,498</u>			
Total Non-Current Liabilities									
Total Liabilities									
Net Assets									
EQUITY									
17,610	15,339	15,340		17,610	15,339	15,340			
76,891	79,932	79,158		76,891	79,932	79,158			
<u>94,501</u>	<u>95,271</u>	<u>94,498</u>		<u>94,501</u>	<u>95,271</u>	<u>94,498</u>			
Total Equity									

The accompanying notes form part of these financial statements.

Far West Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		79,158	15,340	94,498
Total Equity at 1 July 2016		79,158	15,340	94,498
Net Result for the year		(2,267)	----	(2,267)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	18	----	2,270	2,270
Total Other Comprehensive Income		----	2,270	2,270
Total Comprehensive Income for the year		(2,267)	2,270	3
Balance at 30 June 2017		76,891	17,610	94,501
Balance at 1 July 2015		75,479	14,168	89,647
Total Equity at 1 July 2015		75,479	14,168	89,647
Net Result for the year		3,679	----	3,679
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	18	----	1,172	1,172
Total Other Comprehensive Income		----	1,172	1,172
Total Comprehensive Income for the year		3,679	1,172	4,851
Balance at 30 June 2016		79,158	15,340	94,498

The accompanying notes form part of these financial statements.

Far West Local Health District
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----				
(2,512)	(2,276)	(4,613)		(67,600)	(68,927)	(63,366)
(106,796)	(104,720)	(101,133)		(2,512)	(2,276)	(4,613)
				(39,196)	(35,793)	(37,767)
<u>(109,308)</u>	<u>(106,996)</u>	<u>(105,746)</u>		<u>(109,308)</u>	<u>(106,996)</u>	<u>(105,746)</u>
Total Payments						
Receipts						
87,690	87,690	86,713		87,690	87,690	86,713
6,331	6,288	6,030		6,331	6,288	6,030
1,077	1,077	855		1,077	1,077	855
12,115	11,435	12,365		12,115	11,435	12,365
20	----	22		20	----	22
3,157	2,392	3,115		3,157	2,392	3,115
3,623	4,284	4,943		3,623	4,284	4,943
<u>114,013</u>	<u>113,166</u>	<u>114,043</u>		<u>114,013</u>	<u>113,166</u>	<u>114,043</u>
Total Receipts						
<u>4,705</u>	<u>6,170</u>	<u>8,297</u>		<u>4,705</u>	<u>6,170</u>	<u>8,297</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
(6,075)	(6,663)	(6,287)		(6,075)	(6,663)	(6,287)
<u>(6,075)</u>	<u>(6,663)</u>	<u>(6,287)</u>		<u>(6,075)</u>	<u>(6,663)</u>	<u>(6,287)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
NET CASH FLOWS FROM FINANCING ACTIVITIES						
----	----	----		----	----	----
(1,370)	(493)	2,010		(1,370)	(493)	2,010
5,002	5,002	2,992		5,002	5,002	2,992
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
<u>3,632</u>	<u>4,509</u>	<u>5,002</u>		<u>3,632</u>	<u>4,509</u>	<u>5,002</u>
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

The District, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 14 and 21), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Far West Local Health District Special Purpose Service Entity which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The District is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Acting Chief Executive on 5 September 2017.

b) Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (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 (the Act), and the financial Reporting Directions issued by the Treasurer under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(aa).

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

The Secretary of Health, the Chair of the Far West Local Health District Board and the Acting Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. The Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the 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 assumption is appropriate include:

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

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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 NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.8% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 17.3%). The District has assessed the actuarial advice based on the District'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 District's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 23.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

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 District 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 District's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

g) 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 District 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.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are 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.

State Insurance Regulatory Authority (SIRA)

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 District 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 District on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

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

Debt Forgiveness

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

Use of Hospital Facilities

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

- * a monthly charge raised by the District 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 District use in the advancement of the District or individuals within it.

Refer to Note 7(b) for further details.

Use of Outside Facilities

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

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the District 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.

h) Accounting for the Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

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

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

i) 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 received from the immediate parent.

j) 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.

Most assets are acquired from Health Administration Corporation, a controlled entity of the immediate parent.

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

k) Capitalisation Thresholds

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

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

l) 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 District. 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:

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

m) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 18 and Note 20 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.

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.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

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.

n) 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.

o) Intangible Assets

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

Computer software developed or acquired by the District 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. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the parent.

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.

p) Maintenance

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

q) Leased Assets

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

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

r) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value.

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

s) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. 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.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

t) Investments

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

- * The District 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.

T-Corp Hour-Glass Investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the District's key management personnel.

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

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

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

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

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

u) Impairment of Financial Assets

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

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

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

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

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

v) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

w) Payables

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

x) Fair Value Hierarchy

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

Refer to Note 20 and Note 31 for further disclosures regarding fair value measurements of financial and non-financial assets.

y) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

z) Trust Funds

The District receives monies in a trustee capacity for various trusts as set out in Note 25.

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

aa) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The District's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the District and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant 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 30.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

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

(i) Effective for the first time in 2016-17

The accounting policies applied in 2016-17 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:

AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which 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 NSW 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 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 *Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

AASB 16 *Leases* applies to annual periods beginning on or after 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. The application of this standard will likely have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought on balance sheet.

AASB 15 *Revenue from Contracts with Customers* (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 *Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact the financial statements.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	60,604	56,225
----	----	Superannuation - Defined Benefit Plans	887	962
----	----	Superannuation - Defined Contribution Plans	4,970	4,643
----	----	Long Service Leave	922	2,724
----	----	Redundancies	----	71
----	----	Workers' Compensation Insurance	1,108	670
----	----	Fringe Benefits Tax	2	8
----	----		68,493	65,303
3. Personnel Services				
60,604	56,225	Salaries and Wages	----	----
4,970	4,643	Superannuation - Defined Contribution Plans	----	----
(15)	129	Long Service Leave	----	----
----	71	Redundancies	----	----
1,108	670	Workers' Compensation Insurance	----	----
2	8	Fringe Benefits Tax	----	----
66,669	61,746		----	----
4. Other Operating Expenses				
76	46	Advertising	76	46
148	145	Auditor's Remuneration - Audit of Financial Statements	148	145
126	151	Blood and Blood Products	126	151
87	228	Consultancies	87	228
7	----	Contractors	7	----
651	629	Domestic Supplies and Services	651	629
1,877	2,028	Drug Supplies	1,877	2,028
500	461	Food Supplies	500	461
1,138	1,020	Fuel, Light and Power	1,138	1,020
1,113	1,271	Hospital Ambulance Transport Costs	1,113	1,271
2,453	1,382	Information Management Expenses	2,453	1,382
154	171	Insurance	154	171
2,800	2,832	Maintenance (See 4(b) below)	2,800	2,832
2,015	1,936	Medical and Surgical Supplies	2,015	1,936
367	319	Motor Vehicle Expenses	367	319
289	282	Postal and Telephone Costs	289	282
276	279	Printing and Stationery	276	279
215	228	Rates and Charges	215	228
126	138	Rental	126	138
236	40	Hosted Services Purchased from entities controlled by the immediate parent	236	40
7,884	7,097	Special Service Departments (Dental, Radiology, Pathology, Cardiology, Fast Track Clinic, Mental Health)	7,884	7,097
1,789	1,583	Staff Related Costs	1,789	1,583
1,742	1,675	Travel Related Costs	1,742	1,675
4,930	4,971	Other (See 4(a) below)	4,930	4,971
30,999	28,912		30,999	28,912

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
113	270	Contract for Patient Services	113	270
962	1,065	Corporate Support Services	962	1,065
93	89	Courier and Freight	93	89
2,011	1,706	Isolated Patient Travel and Accommodation Assistance Scheme	2,011	1,706
66	232	Legal Services	66	232
27	53	Membership/Professional Fees	27	53
476	467	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	476	467
33	202	Other Operating Lease Expense - Minimum Lease Payments	33	202
19	36	Quality Assurance/Accreditation	19	36
127	101	Security Services	127	101
1,003	750	Other Miscellaneous	1,003	750
<u>4,930</u>	<u>4,971</u>		<u>4,930</u>	<u>4,971</u>
b) Reconciliation of Total Maintenance				
570	671	Maintenance Contracts	570	671
1,297	1,683	New/Replacement Equipment under \$10,000	1,297	1,683
933	478	Repairs Maintenance/Non Contract	933	478
2,800	2,832	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	2,800	2,832
879	909	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	879	909
<u>3,679</u>	<u>3,741</u>		<u>3,679</u>	<u>3,741</u>

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

'Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Some of 'Isolated Patient Travel and Accommodation Assistance Scheme' expenses were paid to entities controlled by the immediate parent.

Some of 'Special Service Departments' expenses were paid to entities controlled by the immediate parent.

Some 'Other Miscellaneous' expenses were paid to entities controlled by the immediate parent.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
4,116	4,160	Depreciation - Buildings	4,116	4,160
841	620	Depreciation - Plant and Equipment	841	620
106	114	Depreciation - Infrastructure Systems	106	114
47	----	Amortisation - Intangible Assets	47	----
5,110	4,894		5,110	4,894
6. Grants and Subsidies				
2,037	3,507	Non-Government Organisations	2,037	3,507
33	266	Grants paid to entities controlled by the immediate parent	33	266
204	388	Other Grants	204	388
2,274	4,161		2,274	4,161

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
7. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
102	43	Pharmacy Sales	102	43
64	105	Sale of Prosthesis	64	105
36	17	Other	36	17
b) Rendering of Services comprise the following:-				
		Patient Fees		
4,054	4,108	- Inpatient Fees	4,054	4,108
113	197	- Nursing Home Fees	113	197
226	301	- Non Inpatient Fees	226	301
941	2,548	Department of Veterans' Affairs	941	2,548
190	163	Staff-Meals and Accommodation	190	163
2,535	2,733	Infrastructure Fees - Monthly Facility Charge	2,535	2,733
512	194	Infrastructure Fees - Annual Charge	512	194
4	3	Cafeteria/Kiosk	4	3
5	6	Clinical Services (excluding Clinical Drug Trials)	5	6
45	43	Commercial Activities	45	43
9	10	Fees for Medical Records	9	10
759	1,009	Highly Specialised Drugs	759	1,009
80	72	Linen Service Revenues - Non Health Services	80	72
17	16	Meals on Wheels	17	16
150	131	Motor Accident Authority Third Party	150	131
27	32	Private Use of Motor Vehicles	27	32
27	27	Salary Packaging Fee	27	27
36	19	Services Provided to Non NSW Health Organisations	36	19
352	372	Multi Purpose Service Centre Fees	352	372
1,227	540	Other	1,227	540
<u>11,511</u>	<u>12,689</u>		<u>11,511</u>	<u>12,689</u>
<p>'Motor Accident Authority Third Party' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.</p>				
8. Investment Revenue				
20	22	Interest	20	22
<u>20</u>	<u>22</u>		<u>20</u>	<u>22</u>

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
9. Grants and Contributions				
776	785	Commonwealth Government Grants	776	785
338	167	Industry Contributions/Donations	338	167
459	322	Cancer Institute Grants	459	322
405	453	Grants received from entities controlled by the ultimate parent	405	453
517	859	Grants received from entities controlled by the immediate parent	517	859
----	4	Research Grants	----	4
554	444	Other Grants	554	444
<u>3,049</u>	<u>3,034</u>		<u>3,049</u>	<u>3,034</u>

The Cancer Institute is an entity controlled by the immediate parent.

Most of the 'Grants received from entities controlled by the ultimate parent' were received from Environment Protection Authority.

Most of the 'Grants received from entities controlled by the immediate parent' were received from the Ministry of Health.

10. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	887	962
----	----	Long Service Leave	937	2,595
<u>----</u>	<u>----</u>		<u>1,824</u>	<u>3,557</u>

11. Other Revenue

Other Revenue comprises the following:-

3	16	Bad Debts Recovered	3	16
27	20	Conference and Training Fees	27	20
----	46	Discounts received	----	46
52	62	Insurance Refunds	52	62
58	57	Lease and Rental*	58	57
----	8	Sale of Merchandise, Old Wares and Books	----	8
17	912	Treasury Managed Fund Hindsight Adjustment	17	912
791	836	Other	791	836
<u>948</u>	<u>1,957</u>		<u>948</u>	<u>1,957</u>

*Most of the 'Lease and Rental' revenue was received from entities controlled by the immediate parent.

Some of 'Other' revenue was received from entities controlled by the immediate parent.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		12. Gain / (Loss) on Disposal		
4,126	497	Property, Plant and Equipment	4,126	497
<u>(4,085)</u>	<u>(494)</u>	Accumulated Depreciation	<u>(4,085)</u>	<u>(494)</u>
		Gain/(Loss) on Disposal of		
<u>(41)</u>	<u>(3)</u>	Property, Plant and Equipment	<u>(41)</u>	<u>(3)</u>
<u>(41)</u>	<u>(3)</u>	Total Gain/(Loss) on Disposal	<u>(41)</u>	<u>(3)</u>
		13. Other Gains / (Losses)		
(66)	(133)	Impairment of Receivables	(66)	(133)
<u>(66)</u>	<u>(133)</u>		<u>(66)</u>	<u>(133)</u>

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

14. 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	168	2	181	351
Contributions recognised in previous years which were not expended in the current reporting period	64	38	310	412
Total amount of unexpended contributions as at reporting date	232	40	491	763

Comment on restricted assets appears in Note 21

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
15. Cash and Cash Equivalents				
3,619	5,002	Cash at Bank and On Hand	3,619	5,002
13	-----	Short Term Deposits	13	-----
<u>3,632</u>	<u>5,002</u>		<u>3,632</u>	<u>5,002</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>				
3,632	5,002	Cash and Cash Equivalents (per Statement of Financial Position)	3,632	5,002
<u>3,632</u>	<u>5,002</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>3,632</u>	<u>5,002</u>

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		16. Receivables		
		Current		
1,462	794	Sale of Goods and Services	1,462	794
1,094	859	Intra Health Receivables	1,094	859
837	597	Goods and Services Tax	837	597
541	1,096	Other Debtors	541	1,096
3,934	3,346	Sub Total	3,934	3,346
(59)	(67)	Less Allowance for Impairment	(59)	(67)
3,875	3,279	Sub Total	3,875	3,279
192	170	Prepayments	192	170
4,067	3,449		4,067	3,449
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(59)	(58)	Balance at Commencement of Reporting Period	(59)	(58)
12	(1)	Amounts written off during the period	12	(1)
(46)	(59)	Balance at 30 June	(46)	(59)
b) Movement in the Allowance for Impairment				
Other Debtors				
(8)	(25)	Balance at Commencement of Reporting Period	(8)	(25)
62	150	Amounts written off during the period	62	150
(66)	(133)	(Increase)/decrease in Allowance Recognised in the Net Result	(66)	(133)
(13)	(8)	Balance at 30 June	(13)	(8)
(59)	(67)		(59)	(67)
Non-Current				
3	4	Sale of Goods and Services	3	4
3	4		3	4
a)				
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
104	30	Patient Fees - Compensable	104	30
1	11	Patient Fees - Ineligible	1	11
615	541	Patient Fees - Inpatient & Other	615	541
720	582		720	582

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 31.

Far West Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
17. Inventories				
87	82	Drugs	87	82
<u>107</u>	<u>93</u>	Other Including Goods in Transit	<u>107</u>	<u>93</u>
<u><u>194</u></u>	<u><u>175</u></u>		<u><u>194</u></u>	<u><u>175</u></u>

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
18. Property, Plant and Equipment				
Land and Buildings - Fair Value				
174,182	168,271	Gross Carrying Amount	174,182	168,271
77,283	74,543	Less: Accumulated Depreciation and Impairment	77,283	74,543
<u>96,899</u>	<u>93,728</u>	Net Carrying Amount	<u>96,899</u>	<u>93,728</u>
Plant and Equipment - Fair Value*				
13,229	12,918	Gross Carrying Amount	13,229	12,918
7,203	6,936	Less: Accumulated Depreciation and Impairment	7,203	6,936
<u>6,026</u>	<u>5,982</u>	Net Carrying Amount	<u>6,026</u>	<u>5,982</u>
Infrastructure Systems - Fair Value				
4,253	4,355	Gross Carrying Amount	4,253	4,355
1,919	1,973	Less: Accumulated Depreciation and Impairment	1,919	1,973
<u>2,334</u>	<u>2,382</u>	Net Carrying Amount	<u>2,334</u>	<u>2,382</u>
<u>105,259</u>	<u>102,092</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>105,259</u>	<u>102,092</u>

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

Far West Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

18. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2017					
Net carrying amount at start of year	1,284	92,444	5,982	2,382	102,092
Additions	----	5,083	938	----	6,021
Reclassifications to Intangibles	----	----	(16)	----	(16)
Disposals	(1)	(7)	(37)	----	(45)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	2,212	----	58	2,270
Depreciation Expense	----	(4,116)	(841)	(106)	(5,063)
Net carrying amount at end of year	1,283	95,616	6,026	2,334	105,259

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2016					
Net carrying amount at start of year	1,284	92,688	3,318	2,258	99,548
Additions	----	2,799	2,934	183	5,916
Reclassifications to Intangibles	----	----	16	----	16
Disposals	----	----	(3)	----	(3)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	337	----	337
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	1,117	----	55	1,172
Depreciation Expense	----	(4,160)	(620)	(114)	(4,894)
Net carrying amount at end of year	1,284	92,444	5,982	2,382	102,092

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 20.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 1(j)].
- (ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(m).

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by Corporeal Pty Ltd :

Year	Land	Buildings	Infrastructure Systems
2015/16	0%	2.5%	2.5%
2016/17	0%	2.5%	2.5%

Far West Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		19. Intangible Assets		
		Intangibles		
281	208	Cost (Gross Carrying Amount)	281	208
47	----	Less Accumulated Amortisation and Impairment	47	----
<u>234</u>	<u>208</u>	Total Intangible Assets at Net Carrying Amount	<u>234</u>	<u>208</u>

PARENT & CONSOLIDATION

19. Intangible Assets - Reconciliation

	Intangibles \$000	Total \$000
2017		
Net carrying amount at start of year	208	208
Additions (From Internal Development or Acquired Separately)	57	57
Reclassifications from Plant & Equipment	16	16
Amortisation (Recognised in Depreciation and Amortisation)	(47)	(47)
Net carrying amount at end of year	234	234

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	189	189
Additions (From Internal Development or Acquired Separately)	35	35
Reclassifications from Plant & Equipment	(16)	(16)
Net carrying amount at end of year	208	208

Far West Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

20. 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

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	131	90,082	90,213
- Infrastructure Systems	----	----	2,334	2,334
	-----	131	92,416	92,547

There were no transfers between level 1 and 2 during the year ended 30 June 2017.

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 18.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	137	88,815	88,952
- Infrastructure Systems	----	----	2,199	2,199
	-----	137	91,014	91,151

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

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 18.

PARENT & CONSOLIDATION

20. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 18 reconciliation.

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

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

Some of the 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, one residential property is valued on a market approach and included in level 2.

Far West Local Health District
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20. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	88,815	2,199	91,014
Additions	3,164	179	3,343
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	2,212	58	2,270
Disposals	(8)	-----	(8)
Depreciation	(4,101)	(102)	(4,203)
Fair value as at 30 June 2017	<u>90,082</u>	<u>2,334</u>	<u>92,416</u>

There were no transfers between Level 1 or 2 during the periods.

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	90,736	2,258	92,994
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	1,117	55	1,172
Depreciation	(4,092)	(114)	(4,206)
Adjustment for revaluation decrement on assets previously excluded	1,054	-----	1,054
Fair value as at 30 June 2016	<u>88,815</u>	<u>2,199</u>	<u>91,014</u>

There were no transfers between Level 1 or 2 during the periods.

Far West Local Health District
Notes to and forming part of the Financial Statements
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2017
\$000

2016
\$000

2017
\$000

2016
\$000

21. Restricted Assets

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

Category

751	569	Specific Purposes	751	569
12	12	Perpetually Invested Funds	12	12
763	581		763	581
763	581		763	581

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		22. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	738	624
----	----	Taxation and Payroll Deductions	696	667
1,434	1,291	Accrued Liability - Purchase of Personnel Services	----	----
3,872	3,983	Creditors	3,872	3,983
		Other Creditors		
1,444	707	- Payables to entities controlled by the immediate parent	1,444	707
2,719	1,185	- Other	2,719	1,185
<u>9,469</u>	<u>7,166</u>		<u>9,469</u>	<u>7,166</u>

Most of 'Payables to entities controlled by the immediate parent' relate to balances payable to Ministry of Health, Health Administration Corporation and Western NSW Local Health District.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 31.

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
23. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	6,983	6,349
----	----	Annual Leave - Long Term Benefit	808	1,340
----	----	Long Service Leave Consequential On-Costs	1,172	1,185
----	----	Sick Leave	212	289
9,317	9,163	Provision for Personnel Services Liability	----	----
----	----	Other	142	----
<u>9,317</u>	<u>9,163</u>		<u>9,317</u>	<u>9,163</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	102	103
102	103	Provision for Personnel Services Liability	----	----
<u>102</u>	<u>103</u>		<u>102</u>	<u>103</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	9,317	9,163
----	----	Provisions - Non-Current	102	103
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	1,434	1,291
10,853	10,557	Liability - Purchase of Personnel Services	----	----
<u>10,853</u>	<u>10,557</u>		<u>10,853</u>	<u>10,557</u>

Far West Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
24. 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:				
667	954	Not later than one year	667	954
66	----	Later than one year and not later than five years	66	----
<u>733</u>	<u>954</u>	Total Capital Expenditure Commitments (Including GST)	<u>733</u>	<u>954</u>

The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.

b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
312	471	Not later than one year	312	471
<u>287</u>	<u>269</u>	Later than one year and not later than five years	<u>287</u>	<u>269</u>
<u>599</u>	<u>740</u>	Total Operating Lease Commitments (Including GST)	<u>599</u>	<u>740</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 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$1.332 million as at 30 June 2017 includes input tax credits of \$0.120 million that are expected to be recoverable from the Australian Taxation Office (2016 \$0.152 million).

Far West Local Health District
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25. Trust Funds

The District holds trust funds of \$129 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the District 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	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	34	33	92	157	----	38	126	228
Transfers In/(Out)	----	----	----	(72)	----	(38)	----	(110)
Revenue	1	1	2	8	----	----	3	9
Expenses	----	----	----	(1)	----	----	----	(1)
Balance at the end of the financial year	35	34	94	92	----	----	129	126

Far West Local Health District
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26. Contingent Liabilities and Assets

The District is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

Far West Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
27. Reconciliation of Cash Flows from Operating Activities to Net Result				
4,705	8,297	Net Cash Flows from Operating Activities	4,705	8,297
(5,110)	(4,894)	Depreciation and Amortisation	(5,110)	(4,894)
(66)	(133)	Allowance for Impairment	(66)	(133)
(153)	(131)	(Increase)/ Decrease in Provisions	(153)	(131)
679	1,168	Increase / (Decrease) in Prepayments and Other Assets	679	1,168
(2,281)	(625)	(Increase)/ Decrease in Payables from Operating Activities	(2,281)	(625)
(41)	(3)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(41)	(3)
<u>(2,267)</u>	<u>3,679</u>	Net Result	<u>(2,267)</u>	<u>3,679</u>

28. 2016/17 Voluntary Services

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

- 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

29. Unclaimed Monies

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

All money and personal effects of patients which are left in the custody of the District by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the District.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

Far West Local Health District
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PARENT AND CONSOLIDATION

30. Adjusted Budget Review - Parent and Consolidated

Net Result

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

Total Expenses, excluding losses, exceeded budget, and has been partially offset by a better than budget performance in Total Revenue. The cost of Visiting Medical Officers exceeding budget is consistent with prior year results as the District is moving towards a higher number of salaried medical officers. An increase in Depreciation is aligned with the increase in Non-Current Assets. Higher than expected costs were experienced regarding goods and services related costs. One off costs regarding the demolition of an unused building in Ivanhoe also contributed to higher Repairs and Maintenance costs.

Assets and Liabilities

Total Assets were \$1.385 million higher than budget. Land & Buildings are the main contributor to this variance in particular the Work In Progress costs associated with the Crystal St Building project of \$2.914 million. Cash and Cash Equivalents were drawn down to pay for the overrun in expenditure. Receivables have been boosted by \$0.553 million for an outstanding Maari Ma invoice. Resulting from the higher than expected expenses Payables were \$2.161 million higher than budget.

Cash Flows

Total Receipts exceeded budget by \$0.847 million due to better than expected Own Source of revenue generation. Total Payments exceeded budget by \$2.312 million due to the general expenses being overspent by the District.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2016 are as follows:

	\$000
Initial Allocation, 1 July 2016	83,454
Award Increases	
Special Projects	
Integrated Care Demonstrator Program	1,112
NSW Aged Care Assessment Program (ACAP) Funding Allocation 2016-17	67
National Partnership Agreement on Adult Public Dental Services	50
Mental Health Innovation Fund	611
Palliative Care Flexible Funding Pool	125
Workplace Culture and Safety	114
HETI Rural Generalist and GP Procedural Training	137
Health Wide Area Network Program - Additional funding	206
Transition Research Grants Scheme - Fare West Palliative Approach	84
NSW Health and Arts Framework Funding	28
Interventions to Reduce Receptive Syringe Sharing	25
Healthy Children Initiative Program - Munch and Move	2
Recoup unused Funding for Intern	(40)
Alcohol and Other Drug Service Enhancement	127
Bed Replacement Program	38
S100 Highly Specialised Drugs Co-payment	13
Other	
Nurse Midwife Strategy Reserve	388
2016-17 TMF Budget Adjustments	4
Whole of Health Budget supplementation	60
Prior Year Revenue Washups DVA MVA RAS TACP	34
IPTAAS	1,023
Nursing and Midwifery Enhancements	28
Balance as per Statement of Comprehensive Income	87,690

Far West Local Health District
Notes to and forming part of the Financial Statements
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31. Financial Instruments

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

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

The Acting Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the District, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2017	2016
		\$000	\$000
Cash and Cash Equivalents (note 15)	N/A	3,632	5,002
Receivables (note 16)*	Loans and receivables (at amortised cost)	3,041	2,686
		6,673	7,688
Financial Liabilities			
Payables (note 22)**	Financial liabilities measured at amortised cost	8,773	6,499
		8,773	6,499

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

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

Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

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 2.37% in 2016/17 compared to 2.8% in the previous year.

Far West Local Health District
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31. Financial Instruments

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 District 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 District 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 (2017: \$0.87M ; 2016: \$1.32M) and not more than 3 months past due (2017: \$0.68M ; 2016: \$0.13M) are not considered impaired.

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 District'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.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	1,556	1,556	----
3 months - 6 months overdue	32	6	23
> 6 months overdue	36	----	36
2016			
<3 months overdue	1,450	1,450	----
3 months - 6 months overdue	48	5	43
> 6 months overdue	24	----	24

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 AASB7 Financial Instruments Disclosures 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 District will be unable to meet its payment obligations when they fall due. The District continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

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

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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31. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2017							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	738	----	----	738	738	----	----
- Creditors	8,035	----	----	8,035	8,035	----	----
	<u>8,773</u>	----	----	<u>8,773</u>	<u>8,773</u>	----	----
2016							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	624	----	----	624	624	----	----
- Creditors	5,875	----	----	5,875	5,875	----	----
	<u>6,499</u>	----	----	<u>6,499</u>	<u>6,499</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 District can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The District 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 net result 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 District's exposure to interest rate risk is set out below.

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2017					
Financial Assets					
Cash and Cash Equivalents	3,632	(36)	(36)	36	36
Receivables	3,041	----	----	----	----
Financial Liabilities					
Payables*	8,773	----	----	----	----
2016					
Financial Assets					
Cash and Cash Equivalents	5,002	(50)	(50)	50	50
Receivables	2,686	----	----	----	----
Financial Liabilities					
Payables*	6,499	----	----	----	----

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32. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	603
Post-employment benefits	37
	<u>640</u>

During the financial year, Far West Local Health District obtained key management personnel services from the immediate parent and incurred \$283k for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Transactions with key management personnel and their close family members

There were no significant transactions noted with key management personnel and their close family members.

There were no transactions with the ultimate parent during the financial year.

33. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS