

Illawarra Shoalhaven Local Health District

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Illawarra Shoalhaven Local Health District (the District), which comprise the statement of financial position as at 30 June 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 *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 – Presentation of Budget Information

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

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, and
- issue an Independent Auditor's Report including my opinion.

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

A 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.



Chris Clayton
Director, Financial Audit Services

8 September 2017
SYDNEY

**Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 Act), the *Public Finance and Audit Regulation 2015*; 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 Illawarra Shoalhaven 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.



Margot Mairs
Chief Executive
7 September 2017



Brent Wiseman
Executive Director Finance and Corporate Services
7 September 2017

Illawarra Shoalhaven 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	2017	2016			2017	2017	2016			
\$000	\$000	\$000			\$000	\$000	\$000			
			Expenses excluding losses							
			Operating Expenses							
----	----	----	Employee Related	2	588,024	577,654	579,527			
573,212	562,984	548,826	Personnel Services	3	----	----	----			
43,471	40,362	39,808	Visiting Medical Officers		43,471	40,362	39,808			
242,171	243,063	226,521	Other Operating Expenses	4	242,171	243,063	226,521			
29,479	29,476	28,237	Depreciation and Amortisation	1(m), 5	29,479	29,476	28,237			
7,176	7,488	4,499	Grants and Subsidies	6	7,176	7,488	4,499			
1	4	2	Finance Costs	1(g), 7	1	4	2			
895,510	883,377	847,893	Total Expenses excluding losses		910,322	898,047	878,594			
			Revenue							
737,601	730,275	664,048	NSW Ministry of Health Recurrent Allocations	1(h)	737,601	730,275	664,048			
13,828	13,604	15,851	NSW Ministry of Health Capital Allocations	1(h)	13,828	13,604	15,851			
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 11	14,812	14,670	30,701			
115,851	119,945	101,990	Sale of Goods and Services	1(h), 8	115,851	119,945	101,990			
760	1,068	915	Investment Revenue	1(h), 9	760	1,068	915			
17,778	13,379	16,370	Grants and Contributions	1(h), 10	17,778	13,379	16,370			
4,842	1,889	6,721	Other Revenue	12	4,842	1,889	6,721			
890,660	880,160	805,895	Total Revenue		905,472	894,830	836,596			
(1,627)	(1,529)	222	Gain / (Loss) on Disposal	13	(1,627)	(1,529)	222			
(489)	(2)	(230)	Other Gains / (Losses)	14	(489)	(2)	(230)			
(6,966)	(4,748)	(42,006)	Net Result	31	(6,966)	(4,748)	(42,006)			
			Other Comprehensive Income							
			Items that will not be reclassified to net result							
			Net Increase/(Decrease) in Property, Plant &							
1	----	----	Equipment Revaluation Surplus	22	1	----	----			
1	----	----	Total Other Comprehensive Income		1	----	----			
(6,965)	(4,748)	(42,006)	TOTAL COMPREHENSIVE INCOME		(6,965)	(4,748)	(42,006)			

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven 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						
42,336	38,690	34,998		42,336	38,690	34,998
19,393	9,974	16,299	16	19,393	9,974	16,299
8,318	7,998	7,915	17	8,318	7,998	7,915
70,047	56,662	59,212	18	70,047	56,662	59,212
----	----	4,348		----	----	4,348
70,047	56,662	63,560		70,047	56,662	63,560
Non-Current Assets Held for Sale						
			23	----	----	4,348
Total Current Assets						
				70,047	56,662	63,560
Non-Current Assets						
Property, Plant & Equipment						
502,837	503,065	501,591		502,837	503,065	501,591
51,548	55,273	51,946	19	51,548	55,273	51,946
36,728	36,727	38,554	19	36,728	36,727	38,554
591,113	595,065	592,091	19	591,113	595,065	592,091
159	2,588	248		159	2,588	248
202	99	99	21	202	99	99
591,474	597,752	592,438	22	591,474	597,752	592,438
661,521	654,414	655,998		661,521	654,414	655,998
Total Non-Current Assets						
Total Assets						
				661,521	654,414	655,998
LIABILITIES						
Current Liabilities						
56,996	52,814	50,839		56,996	52,814	50,839
80,139	74,999	73,812	26	80,139	74,999	73,812
137,135	127,813	124,651	27	137,135	127,813	124,651
Total Current Liabilities						
Non-Current Liabilities						
963	963	959		963	963	959
963	963	959	27	963	963	959
Total Non-Current Liabilities						
Total Liabilities						
138,098	128,776	125,610		138,098	128,776	125,610
Net Assets						
523,423	525,638	530,388		523,423	525,638	530,388
EQUITY						
74,281	74,280	74,280		74,281	74,280	74,280
449,142	451,358	456,108		449,142	451,358	456,108
523,423	525,638	530,388		523,423	525,638	530,388
Total Equity						
				523,423	525,638	530,388

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		456,108	74,280	530,388
Total Equity at 1 July 2016		456,108	74,280	530,388
Net Result for the year		(6,966)	-----	(6,966)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	1	1
Total Other Comprehensive Income		-----	1	1
Total Comprehensive Income for the year		(6,966)	1	(6,965)
Balance at 30 June 2017		449,142	74,281	523,423
Balance at 1 July 2015		498,060	74,334	572,394
Total Equity at 1 July 2015		498,060	74,334	572,394
Net Result for the year		(42,006)	-----	(42,006)
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		54	(54)	-----
Total Other Comprehensive Income		54	(54)	-----
Total Comprehensive Income for the year		(41,952)	(54)	(42,006)
Balance at 30 June 2016		456,108	74,280	530,388

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited 2017 \$000	Actual 2016 \$000	Notes	Actual 2017 \$000	Adjusted Budget Unaudited 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---	Employee Related	(572,317)	(570,767)	(546,468)
(7,962)	(8,273)	(4,961)	Grants and Subsidies	(7,962)	(8,273)	(4,961)
(885,482)	(872,448)	(836,300)	Other	(313,165)	(301,681)	(289,832)
(893,444)	(880,721)	(841,261)	Total Payments	(893,444)	(880,721)	(841,261)
Receipts						
737,601	730,275	664,048	NSW Ministry of Health Recurrent Allocations	737,601	730,275	664,048
13,828	13,604	15,851	NSW Ministry of Health Capital Allocations	13,828	13,604	15,851
9,100	9,100	6,078	Reimbursements from the Crown Entity	9,100	9,100	6,078
113,678	118,788	99,775	Sale of Goods and Services	113,678	118,788	99,775
759	1,068	915	Interest Received	759	1,068	915
16,443	11,940	15,057	Grants and Contributions	16,443	11,940	15,057
34,863	31,305	37,303	Other	34,863	31,305	37,303
926,272	916,080	839,027	Total Receipts	926,272	916,080	839,027
32,828	35,359	(2,234)	NET CASH FLOWS FROM OPERATING ACTIVITIES	32,828	35,359	(2,234)
CASH FLOWS FROM INVESTING ACTIVITIES						
2,848	2,819	1,274	Proceeds from Sale of Property, Plant & Equipment and Intangibles	2,848	2,819	1,274
---	---	32,330	Proceeds from Sale of Investments	---	---	32,330
(28,338)	(34,486)	(20,538)	Purchases of Property, Plant & Equipment and Intangibles	(28,338)	(34,486)	(20,538)
(25,490)	(31,667)	13,066	NET CASH FLOWS FROM INVESTING ACTIVITIES	(25,490)	(31,667)	13,066
7,338	3,692	10,832	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,338	3,692	10,832
34,998	34,998	24,166	Opening Cash and Cash Equivalents	34,998	34,998	24,166
42,336	38,690	34,998	CLOSING CASH AND CASH EQUIVALENTS	42,336	38,690	34,998

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven 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

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 15 and 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the ISLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable ISLHD 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.

ISLHD 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 Chief Executive on 7 September 2017.

b) Basis of Preparation

ISLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 (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(ae).

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

The Secretary of Health, the Chair of Illawarra Shoalhaven Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under ISLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where ISLHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

Illawarra Shoalhaven 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

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.

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 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 16.7%). ISLHD has assessed the actuarial advice based on the ISLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

ISLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

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

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

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the 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 ISLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

ISLHD'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.

g) Finance Costs

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

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

1. Summary of Significant Accounting Policies

h) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

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

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

Department of Veterans' Affairs

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

Investment Revenue

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

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Refer to Note 8(b) for further details.

Use of Outside Facilities

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

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

Grants and Contributions

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 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 ISLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

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

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

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

j) Interstate Patient Flows

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

k) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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.

Refer to Note 1(ab) for assets transferred as a result of equity transfer.

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

l) Capitalisation Thresholds

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

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

1. Summary of Significant Accounting Policies

m) Depreciation of Property, Plant and Equipment

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

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

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. Depreciation rates have not changed from the previous year.

n) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 24 for further information regarding fair value.

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

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

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

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

o) Impairment of Property, Plant and Equipment

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

p) Restoration Costs

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

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

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

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

r) Intangible Assets

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

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

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

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

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

s) Maintenance

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

Illawarra Shoalhaven 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) Leased Assets

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

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

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

u) Inventories

Inventories 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.

v) Loans and Receivables

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

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

w) Investments

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

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

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

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 ISLHD's key management personnel.

The risk management strategy of ISLHD 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 ISLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

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

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

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

Illawarra Shoalhaven 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

x) Impairment of Financial Assets

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

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

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

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

y) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

z) Payables

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

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

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

aa) Fair Value Hierarchy

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

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

ISLHD 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 24 and Note 36 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

1. Summary of Significant Accounting Policies

ab) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

ac) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ad) Trust Funds

ISLHD receives monies in a trustee capacity for various trusts as set out in Note 29.

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

ae) Adjusted Budgeted Amounts

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

af) Emerging Asset

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

Illawarra Shoalhaven 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

ag) 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.

(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, will be 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 2018 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.

Illawarra Shoalhaven 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)	520,465	497,699
----	----	Superannuation - Defined Benefit Plans	5,151	5,391
----	----	Superannuation - Defined Contribution Plans	44,662	42,520
----	----	Long Service Leave	9,707	26,866
----	----	Redundancies	337	555
----	----	Workers' Compensation Insurance	7,635	6,634
----	----	Fringe Benefits Tax	67	(138)
-----	-----		588,024	579,527
3. Personnel Services				
520,465	497,699	Salaries and Wages	----	----
44,662	42,520	Superannuation - Defined Contribution Plans	----	----
46	1,556	Long Service Leave	----	----
337	555	Redundancies	----	----
7,635	6,634	Workers' Compensation Insurance	----	----
67	(138)	Fringe Benefits Tax	----	----
573,212	548,826		-----	-----
<p>Personnel services of Illawarra Shoalhaven Local Health District was provided by its controlled entity, Illawarra Shoalhaven Local Health District Special Purpose Service Entity.</p>				
4. Other Operating Expenses				
427	333	Advertising	427	333
179	175	Auditor's Remuneration - Audit of Financial Statements	179	175
4,952	5,579	Blood and Blood Products	4,952	5,579
592	1,095	Consultancies	592	1,095
10	----	Contractors	10	----
9,983	9,778	Domestic Supplies and Services	9,983	9,778
49,176	33,571	Drug Supplies	49,176	33,571
18,752	16,738	Food Supplies	18,752	16,738
4,618	4,425	Fuel, Light and Power	4,618	4,425
9,114	7,304	Hospital Ambulance Transport Costs	9,114	7,304
18,009	16,882	Information Management Expenses	18,009	16,882
809	1,002	Insurance	809	1,002
15,444	20,278	Maintenance (See 4(b) below)	15,444	20,278
41,354	40,302	Medical and Surgical Supplies	41,354	40,302
1,326	1,415	Motor Vehicle Expenses	1,326	1,415
1,628	1,395	Postal and Telephone Costs	1,628	1,395
2,086	2,090	Printing and Stationery	2,086	2,090
734	960	Rates and Charges	734	960
5,618	5,045	Rental	5,618	5,045
1,425	1,590	Hosted Services Purchased from entities controlled by the immediate parent	1,425	1,590
33,141	34,061	Special Service Departments (Dental, Radiology, Pathology, Allied Health)	33,141	34,061
4,172	4,479	Staff Related Costs	4,172	4,479
3,174	2,689	Travel Related Costs	3,174	2,689
15,448	15,335	Other (See 4(a) below)	15,448	15,335
242,171	226,521		242,171	226,521

Illawarra Shoalhaven 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
4. Other Operating Expenses				
a) Other Includes:				
5	----	Aircraft Expenses (Ambulance)	5	----
1,924	1,649	Contract for Patient Services	1,924	1,649
3,623	3,507	Corporate Support Services	3,623	3,507
548	574	Courier and Freight	548	574
454	395	Isolated Patient Travel and Accommodation Assistance Scheme	454	395
218	257	Legal Services	218	257
229	416	Membership/Professional Fees	229	416
1,624	1,938	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,624	1,938
1,308	1,459	Other Operating Lease Expense - Minimum Lease Payments	1,308	1,459
220	139	Quality Assurance/Accreditation	220	139
6	7	Security Services	6	7
5,289	4,994	Other Miscellaneous	5,289	4,994
15,448	15,335		15,448	15,335
b) Reconciliation of Total Maintenance				
5,901	4,717	Maintenance Contracts	5,901	4,717
5,104	11,746	New/Replacement Equipment under \$10,000	5,104	11,746
4,429	3,773	Repairs Maintenance/Non Contract	4,429	3,773
10	42	Other	10	42
15,444	20,278	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	15,444	20,278
2,677	2,397	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,677	2,397
18,121	22,675		18,121	22,675

Some "Advertising" was paid to The Ministry of Health, the immediate parent and the Public Service Commission, an entity controlled by the ultimate parent.

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

The majority of "Food Supplies", "Motor Vehicle Expenses" & "Other Operating Expenses – Corporate Support Services" were paid to the Health Administration Corporation and entity controlled by the immediate parent.

The majority of "Hospital Ambulance Transport Costs" were paid to the Health Administration Corporation, and the Sydney Children's Hospitals Network, both controlled entities of the immediate parent.

The majority of "Information Management Expenses" was paid to the Health Administration Corporation, South Eastern Sydney Local Health District and Western Sydney Local Health District, all controlled entities of the immediate parent.

The majority of "Rates and Charges" were paid to Sydney Water, an entity controlled by the ultimate parent.

Some of "Domestic Supplies" were paid to the Health Administration Corporation, a controlled entity of the immediate parent.

The majority of "Special Services Departments" were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some of "Other Operating Expenses – Isolated Patient Travel and Accommodation Assistance Scheme" were paid to the Health Administration Corporation, a controlled entity of the immediate parent.

Some of "Other Operating Expenses – Legal Services" were paid to the Crown Solicitor's Office, an entity controlled by the ultimate parent.

Illawarra Shoalhaven 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				
18,525	18,166	Depreciation - Buildings	18,525	18,166
9,039	8,053	Depreciation - Plant and Equipment	9,039	8,053
1,826	1,841	Depreciation - Infrastructure Systems	1,826	1,841
89	177	Amortisation - Intangible Assets	89	177
<u>29,479</u>	<u>28,237</u>		<u>29,479</u>	<u>28,237</u>
6. Grants and Subsidies				
4,026	3,681	Non-Government Organisations	4,026	3,681
2,854	330	Grants to Research Organisations	2,854	330
60	420	Grants paid to entities controlled by the immediate parent	60	420
236	68	Other Grants	236	68
<u>7,176</u>	<u>4,499</u>		<u>7,176</u>	<u>4,499</u>
<p>'Grants paid to entities controlled by the immediate parent' was predominantly paid to NSW Health Pathology, an entity controlled by the immediate parent.</p>				
7. Finance Costs				
1	2	Other Interest Charges	1	2
<u>1</u>	<u>2</u>		<u>1</u>	<u>2</u>

Illawarra Shoalhaven 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
8. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
550	656	Pharmacy Sales	550	656
2,466	2,165	Sale of Prosthesis	2,466	2,165
39	45	Other	39	45
b) Rendering of Services comprise the following:-				
		Patient Fees		
		- Inpatient Fees	36,020	34,053
		- Nursing Home Fees	985	1,037
		- Non Inpatient Fees	1,872	1,850
15,260	16,116	Department of Veterans' Affairs	15,260	16,116
119	102	Staff-Meals and Accommodation	119	102
11,757	12,600	Infrastructure Fees - Monthly Facility Charge	11,757	12,600
3,800	3,939	Infrastructure Fees - Annual Charge	3,800	3,939
2,179	1,976	Car Parking	2,179	1,976
470	428	Child Care Fees	470	428
1	29	Clinical Services (excluding Clinical Drug Trials)	1	29
283	297	Commercial Activities	283	297
133	118	Fees for Medical Records	133	118
33,903	17,964	Highly Specialised Drugs	33,903	17,964
4,005	5,936	Motor Accident Authority Third Party	4,005	5,936
21	(14)	Patient Transport Fees	21	(14)
318	341	Private Use of Motor Vehicles	318	341
324	556	Salary Packaging Fee	324	556
643	1,103	Hosted Services Provided to entities controlled by immediate parent	643	1,103
624	634	Services Provided to Non NSW Health Organisations	624	634
79	59	Other	79	59
115,851	101,990		115,851	101,990

Some of the 'Patient Fees - Inpatient Fees and Non Inpatient Fees' were earned from the immediate parent.

The State Insurance Regulatory Authority is an entity controlled by the ultimate parent.

Some of the 'Services provided to Non NSW Health Organisations' were earned from entities controlled by the ultimate parent.

9. Investment Revenue				
241	171	Interest	241	171
519	744	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	519	744
760	915		760	915

Illawarra Shoalhaven 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
10. Grants and Contributions				
1,068	662	Clinical Drug Trials	1,068	662
4,570	4,012	Commonwealth Government Grants	4,570	4,012
785	2,433	Commonwealth Teaching Hospital Grants	785	2,433
3,183	1,559	Industry Contributions/Donations	3,183	1,559
1,404	1,235	Cancer Institute NSW Grants	1,404	1,235
3,713	1,176	Grants received from entities controlled by the ultimate parent	3,713	1,176
876	1,745	Grants received from entities controlled by the immediate parent	876	1,745
508	61	Research Grants	508	61
1,671	3,487	Other Grants	1,671	3,487
17,778	16,370		17,778	16,370

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

The majority of grants that were received from entities controlled by the immediate parent were received from Western Sydney Local Health District, Health Education and Training Institute, eHealth NSW and Agency for Clinical Innovation.

11. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	5,151	5,391
----	----	Long Service Leave	9,661	25,310
----	----		14,812	30,701

12. Other Revenue

Other Revenue comprises the following:-

179	502	Commissions	179	502
211	70	Conference and Training Fees	211	70
125	24	Insurance Refunds	125	24
456	527	Lease and Rental	456	527
103	72	Sale of Merchandise, Old Wares and Books	103	72
13	11	Sponsorship	13	11
3,274	4,762	Treasury Managed Fund Hindsight Adjustment	3,274	4,762
481	753	Other	481	753
4,842	6,721		4,842	6,721

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

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		13. Gain / (Loss) on Disposal		
2,813	3,193	Property, Plant and Equipment	2,813	3,193
<u>(2,686)</u>	<u>(2,661)</u>	Accumulated Depreciation	<u>(2,686)</u>	<u>(2,661)</u>
127	532	Written Down Value	127	532
29	345	Proceeds from Disposal	29	345
		Gain/(Loss) on Disposal of		
(98)	(187)	Property, Plant and Equipment	(98)	(187)
4,348	520	Assets Held for Sale	4,348	520
<u>2,819</u>	<u>929</u>	Proceeds from Disposal	<u>2,819</u>	<u>929</u>
(1,529)	409	Gain/(Loss) on Disposal of Assets	(1,529)	409
		Held for Sale		
(1,627)	222	Total Gain/(Loss) on Disposal	(1,627)	222
		14. Other Gains / (Losses)		
(489)	(230)	Impairment of Receivables	(489)	(230)
(489)	(230)		(489)	(230)

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	1,386	6,758	8,144
Contributions recognised in previous years which were not expended in the current reporting period	9,201	18,236	27,437
Total amount of unexpended contributions as at reporting date	10,587	24,994	35,581

Comment on restricted assets appears in Note 25

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		16. Cash and Cash Equivalents		
19,938	13,119	Cash at Bank and On Hand	19,938	13,119
22,398	21,879	Short Term Deposits	22,398	21,879
42,336	34,998		42,336	34,998
		For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
42,336	34,998	Cash and Cash Equivalents (per Statement of Financial Position)	42,336	34,998
42,336	34,998	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	42,336	34,998

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
17. Receivables				
Current				
7,811	7,676	Sale of Goods and Services	7,811	7,676
5,521	1,529	Intra Health Receivables	5,521	1,529
3,302	3,286	Goods and Services Tax	3,302	3,286
1,464	2,761	Other Debtors	1,464	2,761
<u>18,098</u>	<u>15,252</u>	Sub Total	<u>18,098</u>	<u>15,252</u>
(762)	(661)	Less Allowance for Impairment	(762)	(661)
<u>17,336</u>	<u>14,591</u>	Sub Total	<u>17,336</u>	<u>14,591</u>
2,057	1,708	Prepayments	2,057	1,708
<u>19,393</u>	<u>16,299</u>		<u>19,393</u>	<u>16,299</u>
<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 the NSW Ministry of Health, eHealth NSW, South Eastern Sydney LHD and Cancer Institute NSW.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(651)	(505)	Balance at Commencement of Reporting Period	(651)	(505)
376	57	Amounts written off during the period	376	57
(422)	(203)	(Increase)/decrease in Allowance Recognised in the Net Result	(422)	(203)
<u>(697)</u>	<u>(651)</u>	Balance at 30 June	<u>(697)</u>	<u>(651)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(10)	(6)	Balance at Commencement of Reporting Period	(10)	(6)
12	22	Amounts written off during the period	12	22
(67)	(26)	(Increase)/decrease in Allowance Recognised in the Net Result	(67)	(26)
<u>(65)</u>	<u>(10)</u>	Balance at 30 June	<u>(65)</u>	<u>(10)</u>
<u>(762)</u>	<u>(661)</u>		<u>(762)</u>	<u>(661)</u>
c) The current sale of goods and services balances above include the following patient fee receivables:				
758	521	Patient Fees - Compensable	758	521
998	843	Patient Fees - Ineligible	998	843
<u>5,638</u>	<u>4,568</u>	Patient Fees - Inpatient & Other	<u>5,638</u>	<u>4,568</u>
<u>7,394</u>	<u>5,932</u>		<u>7,394</u>	<u>5,932</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		18. Inventories		
2,819	2,529	Drugs	2,819	2,529
4,825	4,778	Medical and Surgical Supplies	4,825	4,778
674	608	Other Including Goods in Transit	674	608
<u>8,318</u>	<u>7,915</u>		<u>8,318</u>	<u>7,915</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
826,014	806,243	Gross Carrying Amount	826,014	806,243
<u>323,177</u>	<u>304,652</u>	Less: Accumulated Depreciation and Impairment	<u>323,177</u>	<u>304,652</u>
<u>502,837</u>	<u>501,591</u>	Net Carrying Amount	<u>502,837</u>	<u>501,591</u>
Plant and Equipment - Fair Value*				
96,515	90,560	Gross Carrying Amount	96,515	90,560
<u>44,967</u>	<u>38,614</u>	Less: Accumulated Depreciation and Impairment	<u>44,967</u>	<u>38,614</u>
<u>51,548</u>	<u>51,946</u>	Net Carrying Amount	<u>51,548</u>	<u>51,946</u>
Infrastructure Systems - Fair Value				
73,023	73,023	Gross Carrying Amount	73,023	73,023
<u>36,295</u>	<u>34,469</u>	Less: Accumulated Depreciation and Impairment	<u>36,295</u>	<u>34,469</u>
<u>36,728</u>	<u>38,554</u>	Net Carrying Amount	<u>36,728</u>	<u>38,554</u>
<u>591,113</u>	<u>592,091</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>591,113</u>	<u>592,091</u>

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

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

20. 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	55,395	446,196	51,946	38,554	592,091
Additions	----	21,565	6,974	----	28,539
Disposals	----	----	(127)	----	(127)
Depreciation Expense	----	(18,525)	(9,039)	(1,826)	(29,390)
Reclassifications	----	(1,794)	1,794	----	----
Net carrying amount at end of year	55,395	447,442	51,548	36,728	591,113
2016					
Net carrying amount at start of year	55,395	470,064	34,650	40,091	600,200
Additions	----	6,910	12,983	----	19,893
Recognition of Assets Held for Sale	----	----	----	(46)	(46)
Disposals	----	----	(532)	----	(532)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	636	----	636
Depreciation Expense	----	(18,166)	(8,053)	(1,841)	(28,060)
Reclassifications	----	(12,612)	12,262	350	----
Net carrying amount at end of year	55,395	446,196	51,946	38,554	592,091

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

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

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		21. Intangible Assets		
		Intangibles		
1,218	1,218	Cost (Gross Carrying Amount)	1,218	1,218
1,059	970	Less Accumulated Amortisation and Impairment	1,059	970
<u>159</u>	<u>248</u>	Net Carrying Amount	<u>159</u>	<u>248</u>
<u>159</u>	<u>248</u>	Total Intangible Assets at Net Carrying Amount	<u>159</u>	<u>248</u>

PARENT & CONSOLIDATION

21. Intangible Assets - Reconciliation

	Total \$000
2017	
Net carrying amount at start of year	248
Amortisation (Recognised in Depreciation and Amortisation)	(89)
Net carrying amount at end of year	159

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

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		22. Other Assets		
		Non-Current		
202	99	Emerging Rights to Assets (refer Note 1(af))	202	99
<u>202</u>	<u>99</u>		<u>202</u>	<u>99</u>
		Amounts Recognised in Other Comprehensive Income Relating to Emerging Rights to Assets		
1	-----	Emerging Rights to Assets Asset Revaluation	1	-----
<u>1</u>	<u>-----</u>		<u>1</u>	<u>-----</u>
		23. Non-Current Assets Held for Sale		
		Assets Held for Sale		
-----	4,302	Land and Buildings	-----	4,302
-----	46	Infrastructure Systems	-----	46
<u>-----</u>	<u>4,348</u>		<u>-----</u>	<u>4,348</u>

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

24. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	10,292	463,343	473,635
- Infrastructure Systems	----	----	36,728	36,728
Other Assets (Note 22) Emerging Assets	----	----	202	202
	-----	-----	-----	-----
	<u>-----</u>	<u>10,292</u>	<u>500,273</u>	<u>510,565</u>

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 19.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	10,544	480,586	491,130
- Infrastructure Systems	----	----	38,554	38,554
Other Assets (Note 22) Emerging Assets	----	----	99	99
Non-Current Assets Held for Sale (Note 23)	----	4,348	----	4,348
	-----	-----	-----	-----
	<u>-----</u>	<u>14,892</u>	<u>519,239</u>	<u>534,131</u>

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 19.

b) Valuation Techniques, Inputs and Processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 20 reconciliation.

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

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	480,586	38,554	99	519,239
Additions	958	----	103	1,061
Depreciation	(18,201)	(1,826)	----	(20,027)
Fair value as at 30 June 2017	463,343	36,728	202	500,273

There were no transfers between Levels during the period.

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

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

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		25. Restricted Assets		
<p>ISLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
18,499	17,026	Specific Purposes	18,499	17,026
1,255	706	Research Grants	1,255	706
15,827	14,378	Private Practice Funds	15,827	14,378
<u>35,581</u>	<u>32,110</u>		<u>35,581</u>	<u>32,110</u>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		26. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	15,869	13,684
----	----	Taxation and Payroll Deductions	4,372	1,841
20,241	15,525	Accrued Liability - Purchase of Personnel Services	----	----
19,632	17,972	Creditors	19,632	17,972
		Other Creditors		
11,082	5,741	- Payables to entities controlled by the immediate parent	11,082	5,741
6,041	11,601	- Other	6,041	11,601
<u>56,996</u>	<u>50,839</u>		<u>56,996</u>	<u>50,839</u>

Creditors include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
27. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	52,582	50,710
----	----	Annual Leave - Long Term Benefit	15,216	12,072
----	----	Long Service Leave Consequential On-Costs	11,071	11,030
78,869	73,812	Provision for Personnel Services Liability	----	----
1,270	----	Other	1,270	----
<u>80,139</u>	<u>73,812</u>		<u>80,139</u>	<u>73,812</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	963	959
963	959	Provision for Personnel Services Liability	----	----
<u>963</u>	<u>959</u>		<u>963</u>	<u>959</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	78,869	73,812
----	----	Provisions - Non-Current	963	959
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	20,241	15,525
100,073	90,296	Liability - Purchase of Personnel Services	----	----
<u>100,073</u>	<u>90,296</u>		<u>100,073</u>	<u>90,296</u>

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
28. 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:				
4,721	9,637	Not later than one year	4,721	9,637
409	284	Later than one year and not later than five years	409	284
<u>5,130</u>	<u>9,921</u>	Total Capital Expenditure Commitments (Including GST)	<u>5,130</u>	<u>9,921</u>
Some 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:				
5,124	4,433	Not later than one year	5,124	4,433
6,959	6,690	Later than one year and not later than five years	6,959	6,690
249	941	Later than five years	249	941
<u>12,332</u>	<u>12,064</u>	Total Operating Lease Commitments (Including GST)	<u>12,332</u>	<u>12,064</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
Some 'operating lease commitments' contracted but not provided for related to leases with the NSW Department of Finance, Services and Innovation, an entity controlled by the ultimate parent.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$17.462m as at 30 June 2017 (2016 \$21.985m) includes input tax credits of \$1.565m that are expected to be recoverable from the Australian Taxation Office (2016 \$1.965m).				

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

29. Trust Funds

ISLHD holds trust funds of \$176,000 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 ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	151	138	----	----	151	138
Revenue	25	13	17,486	17,304	17,511	17,317
Expenses	----	----	(17,486)	(17,304)	(17,486)	(17,304)
Balance at the end of the financial year	176	151	----	----	176	151

Illawarra Shoalhaven Local Health District
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PARENT AND CONSOLIDATED

30. Contingent Liabilities and Assets

- a) Contingent asset related to commitment of expenditure - refer to note 28 (c)
- b) District considers it has no contingent liabilities at reporting date.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
32,828	(2,234)	Net Cash Flows from Operating Activities	32,828	(2,234)
(29,479)	(28,237)	Depreciation and Amortisation	(29,479)	(28,237)
(489)	(230)	Allowance for Impairment	(489)	(230)
----	52	(Increase)/ Decrease Income in Advance	----	52
(6,331)	(4,870)	(Increase)/ Decrease in Provisions	(6,331)	(4,870)
4,156	48	Increase / (Decrease) in Prepayments and Other Assets	4,156	48
(6,225)	(6,963)	(Increase)/ Decrease in Payables from Operating Activities	(6,225)	(6,963)
(1,627)	222	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(1,627)	222
201	206	Assets donated or brought to account for the first time	201	206
<u>(6,966)</u>	<u>(42,006)</u>	Net Result	<u>(6,966)</u>	<u>(42,006)</u>
32. Non-Cash Financing and Investing Activities				
<u>201</u>	<u>206</u>	Assets Received by Donation	<u>201</u>	<u>206</u>
<u>201</u>	<u>206</u>		<u>201</u>	<u>206</u>

33. 2016/17 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to ISLHD.

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

34. 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 ISLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the ISLHD.

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.

PARENT AND CONSOLIDATION

35. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$2.2 million, primarily due to:

Employee Related expenses (including use of Visiting Medical Officers) as a result of higher activity and District investment in specific clinical safety initiatives. Non-cash impact of annual leave expense for additional staff and take-up of increase in leave provisions for Award increases due in July 2017 were also significant contributors. Patient Fee revenue target was not achieved due to lower than required take-up rate of private insurance usage. Other Revenue sources were favourable, mainly due to TMF Hindsight favourable return and various Industry and Community donations. The District also received \$7.3m in Subsidy above budgeted amount. Since 2011, the District has operated at Performance Level '0'. This level requires minimal Ministry intervention and is the highest rating in the Ministry of Health performance matrix for Local Health Districts.

Assets and Liabilities

Cash and Cash Equivalents were \$3.6m higher than budgeted mostly due to timing difference in ATO processing payments and settlement of Intra Health transactions. Total Liabilities are \$9.3m higher due to clearing ATO timing difference, increase in employee provisions and settlement of Intra Health creditors.

Cash Flows

Net Cash Flows from Operating Activities was influenced by higher than budgeted employee related expenses but was more than off-set by higher cash from revenue. Net cashflows from Investing Activities recorded an outflow of \$25.5m reflecting a period of investment in property and equipment. This resulted in an overall Net Cash increase of \$7.3m for the year.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 30 June 2016 are as follows:

	\$000
Initial Allocation, 30 June 2016	684,008
Award Increases	13,124
Special Projects	
NSW Aged Care Assessment Program	357
Integrated Care Demonstrator Program	259
Nurse Midwife Strategy Reserve	655
Mental Health Innovation Fund - Balaang Healing Project	526
Organ and Tissue Donation Service	145
Translational Research Grant Scheme	134
NGO Grants Program - Drug Summit 4	262
NSW Homelessness Program	276
NPA on Adult Public Dental Services	1,150
Substance Use in Pregnancy Services	272
Other	
Illawarra Health Information Platform	3,004
Prior Year 2015/16 Revenue Washup	1,801
Palliative Care Flexible Funding Pool	145
Whole of Health Program	180
Nursing & Midwifery Enhancements	123
S100 Highly Specialised Drugs Co-payments	255
Workplace Culture and Safety	214
Increase in Acute Admitted, ED & Non Admitted Activity	9,997
Voluntary Redundancy Reimbursement	335
Cash Adjustment for Approved LFI Projects	11,251
Bed Replacement Program	521
Isolated Patients Travel and Accommodation Assistance Scheme	522
Other Allocations	759
	730,275
Balance as per Statement of Comprehensive Income	730,275

Illawarra Shoalhaven Local Health District
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36. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2017 \$000	2016 \$000
Cash and Cash Equivalents (note 16)	N/A	42,336	34,998
Receivables (note 17)*	Loans and receivables (at amortised cost)	14,034	11,305
		56,370	46,303
Financial Liabilities			
Payables (note 26)**	Financial liabilities measured at amortised cost	52,624	48,998
		52,624	48,998

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2016/17 compared to 2.81% in the previous year.

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

Illawarra Shoalhaven Local Health District
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36. 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 ISLHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

ISLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$7.269M ; 2016: \$8.832M) and not more than 3 months past due (2017: \$725K ; 2016: \$623K) 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 ISLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2017	\$000	\$000	\$000
<3 months overdue	776	725	51
3 months - 6 months overdue	374	259	115
> 6 months overdue	856	260	596
2016			
<3 months overdue	651	623	28
3 months - 6 months overdue	252	171	81
> 6 months overdue	702	150	552

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.

Authority Deposits

ISLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 0.2% (2016: 0.16%), while over the year the weighted average interest rate was 2.37% (2016: 2.96%) on a weighted average balance during the year of \$22.162m (2016: \$21.626m). None of these assets are past due or impaired.

36. Financial Instruments

(c) Liquidity Risk

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

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

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

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

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

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

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

Illawarra Shoalhaven Local Health District
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36. Financial Instruments

The table below summarises the maturity profile of ISLHD'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	15,869	----	----	15,869	15,869	----	----
- Creditors	36,755	----	----	36,755	36,755	----	----
	52,624	----	----	52,624	52,624	----	----
2016							
Payables:							
- Accrued Salaries Wages, On- Costs and Payroll Deductions	13,684	----	----	13,684	13,684	----	----
- Creditors	35,314	----	----	35,314	35,314	----	----
	48,998	----	----	48,998	48,998	----	----

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which ISLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

Illawarra Shoalhaven Local Health District
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36. 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. ISLHD's exposures to market risk are primarily through interest rate risk on ISLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. ISLHD 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 ISLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis was 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 ISLHD's interest bearing liabilities.

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

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. ISLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect 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.

ISLHD'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	42,336	(423)	(423)	423	423
Receivables	14,034	----	----	----	----
Financial Liabilities					
Payables*	52,624	----	----	----	----
2016					
Financial Assets					
Cash and Cash Equivalents	34,998	(350)	(350)	350	350
Receivables	11,305	----	----	----	----
Financial Liabilities					
Payables*	48,998	----	----	----	----

*Accrued Salaries Wages, On-Costs and Payroll Deductions have been excluded from payables as not within the scope of AASB7 Financial Instruments Disclosures. Prior year comparatives have been restated as a result.

Illawarra Shoalhaven Local Health District
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(e) Fair Value Measurement

(i) Fair value compared to carrying amount

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

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

Therefore the fair value of the financial instruments do not differ from the carrying amount.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	22,398	-----	22,398
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	21,879	-----	21,879

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

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

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

Illawarra Shoalhaven Local Health District
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37. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	728
Post-employment benefits	66
Other long-term benefits	-
Termination benefits	-
	<u>794</u>

During the financial year, Illawarra Shoalhaven Local Health District obtained key management personnel services from the immediate parent and incurred \$367,733 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.

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

There were no other transactions with key management personnel and the ultimate parent during the financial year.

38. Events After the Reporting Period

No matters have arisen subsequent to reporting date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS