

Murrumbidgee Local Health District

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Murrumbidgee Local Health District (the District), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 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(ab). 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 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.

S Bond .

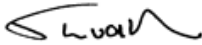
Sally Bond
Director, Financial Audit Services

5 September 2017
SYDNEY

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

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

- 1) The financial statements of the Murrumbidgee Local Health District for the year ended 30 June 2017 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015 (the Act); and
 - c) financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Murrumbidgee 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.



Jill Ludford
Chief Executive
5 September 2017



Maurice Ahern
Director Finance and Performance
5 September 2017

Murrumbidgee 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	313,823	310,802	295,782		
306,637	303,685	278,400	Personnel Services	3	----	----	----		
40,486	40,198	38,672	Visiting Medical Officers		40,486	40,198	38,672		
191,786	187,621	176,836	Other Operating Expenses	4	191,786	187,621	176,836		
24,953	25,145	20,045	Depreciation and Amortisation	1(i), 5	24,953	25,145	20,045		
1,735	1,715	1,737	Grants and Subsidies	6	1,735	1,715	1,737		
14	----	14	Finance Costs	1(f), 7	14	----	14		
16,298	16,056	15,088	Payments to Affiliated Health Organisations	8	16,298	16,056	15,088		
581,909	574,420	530,792	Total Expenses excluding losses		589,095	581,537	548,174		
			Revenue						
434,910	435,102	398,743	NSW Ministry of Health Recurrent Allocations	1(g)	434,910	435,102	398,743		
27,301	28,659	80,150	NSW Ministry of Health Capital Allocations	1(g)	27,301	28,659	80,150		
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(d)(ii), 12	7,186	7,117	17,382		
90,060	93,662	84,615	Sale of Goods and Services	1(g), 9	90,060	93,662	84,615		
191	241	223	Investment Revenue	1(g), 10	191	241	223		
16,780	15,245	16,223	Grants and Contributions	1(g), 11	16,780	15,245	16,223		
3,402	4,649	8,648	Other Revenue	13	3,402	4,649	8,648		
572,644	577,558	588,602	Total Revenue		579,830	584,675	605,984		
1	----	232	Gain / (Loss) on Disposal	14	1	----	232		
(64)	(1,191)	11	Other Gains / (Losses)	15	(64)	(1,191)	11		
(9,328)	1,947	58,053	Net Result	30	(9,328)	1,947	58,053		
			Other Comprehensive Income						
			Items that will not be reclassified to net result						
			Net Increase/(Decrease) in Property, Plant &						
----	----	(4,672)	Equipment Revaluation Surplus	20	----	----	(4,672)		
----	----	(4,672)	Total Other Comprehensive Income		----	----	(4,672)		
(9,328)	1,947	53,381	TOTAL COMPREHENSIVE INCOME		(9,328)	1,947	53,381		

The accompanying notes form part of these financial statements.

Murrumbidgee 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									
6,565	8,357	8,888		6,565	8,357	8,888			
13,843	16,930	16,931	17	13,843	16,930	16,931			
1,469	1,279	1,280	18	1,469	1,279	1,280			
21,877	26,566	27,099	19	21,877	26,566	27,099			
Total Current Assets									
Non-Current Assets									
Property, Plant & Equipment									
471,223	467,346	464,804		471,223	467,346	464,804			
34,282	39,041	37,516	20	34,282	39,041	37,516			
6,875	7,239	7,297	20	6,875	7,239	7,297			
317	363	363	20	317	363	363			
512,697	513,989	509,980		512,697	513,989	509,980			
512,697	513,989	509,980		512,697	513,989	509,980			
534,574	540,555	537,079		534,574	540,555	537,079			
Total Assets									
LIABILITIES									
Current Liabilities									
40,646	36,280	35,147		40,646	36,280	35,147			
76	74	74	23	76	74	74			
36,615	35,647	35,236	24	36,615	35,647	35,236			
85	51	51	25	85	51	51			
77,422	72,052	70,508	26	77,422	72,052	70,508			
Total Current Liabilities									
Non-Current Liabilities									
323	398	398		323	398	398			
488	488	504	24	488	488	504			
811	886	902	25	811	886	902			
Total Non-Current Liabilities									
Total Liabilities									
78,233	72,938	71,410		78,233	72,938	71,410			
456,341	467,617	465,669		456,341	467,617	465,669			
Net Assets									
EQUITY									
13,067	13,438	13,437		13,067	13,438	13,437			
443,274	454,179	452,232		443,274	454,179	452,232			
456,341	467,617	465,669		456,341	467,617	465,669			
Total Equity									

The accompanying notes form part of these financial statements.

Murrumbidgee 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		452,232	13,437	465,669
Total Equity at 1 July 2016		452,232	13,437	465,669
Net Result for the year		(9,328)	----	(9,328)
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		370	(370)	----
Total Other Comprehensive Income		370	(370)	----
Total Comprehensive Income for the year		(8,958)	(370)	(9,328)
Balance at 30 June 2017		443,274	13,067	456,341
Balance at 1 July 2015		391,622	20,666	412,288
Total Equity at 1 July 2015		391,622	20,666	412,288
Net Result for the year		58,053	----	58,053
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	(4,672)	(4,672)
Available for Sale Financial Assets:				
Transfers on Disposal		2,557	(2,557)	----
Total Other Comprehensive Income		2,557	(7,229)	(4,672)
Total Comprehensive Income for the year		60,610	(7,229)	53,381
Balance at 30 June 2016		452,232	13,437	465,669

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(309,423)	(308,689)	(280,232)
(19,809)	(19,548)	(18,491)	Grants and Subsidies	(19,809)	(19,548)	(18,491)
(12)	----	(14)	Finance Costs	(12)	----	(14)
(559,943)	(557,488)	(513,695)	Other	(250,520)	(248,799)	(233,463)
(579,764)	(577,036)	(532,200)	Total Payments	(579,764)	(577,036)	(532,200)
Receipts						
434,910	435,102	398,743	NSW Ministry of Health Recurrent Allocations	434,910	435,102	398,743
27,301	28,659	80,150	NSW Ministry of Health Capital Allocations	27,301	28,659	80,150
6,118	6,118	4,978	Reimbursements from the Crown Entity	6,118	6,118	4,978
93,695	92,966	83,381	Sale of Goods and Services	93,695	92,966	83,381
191	241	223	Interest Received	191	241	223
16,759	15,519	13,874	Grants and Contributions	16,759	15,519	13,874
25,275	26,389	27,749	Other	25,275	26,389	27,749
604,249	604,994	609,098	Total Receipts	604,249	604,994	609,098
24,485	27,958	76,898	NET CASH FLOWS FROM OPERATING ACTIVITIES	24,485	27,958	76,898
CASH FLOWS FROM INVESTING ACTIVITIES						
1	527	527	Proceeds from Sale of Property, Plant & Equipment	1	527	527
(26,733)	(29,016)	(76,223)	Purchases of Property, Plant & Equipment	(26,733)	(29,016)	(76,223)
(26,732)	(28,489)	(75,696)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(26,732)	(28,489)	(75,696)
CASH FLOWS FROM FINANCING ACTIVITIES						
(76)	----	(72)	Repayment of Borrowings and Advances	(76)	----	(72)
(76)	----	(72)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(76)	----	(72)
(2,323)	(531)	1,130	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,323)	(531)	1,130
8,888	8,888	7,758	Opening Cash and Cash Equivalents	8,888	8,888	7,758
6,565	8,357	8,888	CLOSING CASH AND CASH EQUIVALENTS	6,565	8,357	8,888

The accompanying notes form part of these financial statements.

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

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Murrumbidgee Local Health District Special Purpose Service Entity which was established as a Division of the MLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the MLHD to exercise its functions.

As a consequence the values in the 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.

MLHD 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 5 September 2017

b) Basis of Preparation

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

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

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

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

Murrumbidgee 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) 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%). The MLHD has assessed the actuarial advice based on the MLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the MLHD as shown in Note 25.

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

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

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

e) Insurance

The MLHD'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.

f) 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.

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

1. Summary of Significant Accounting Policies

g) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

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

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

State Insurance Regulatory Authority (SIRA)

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The MLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

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

Investment Revenue

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

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Refer to Note 9(b) for further details.

Use of Outside Facilities

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

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

Grants and Contributions

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

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

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the MLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

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

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

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

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

i) Interstate Patient Flows

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

j) Acquisition of Assets

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

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

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.

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

Murrumbidgee 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

k) Capitalisation Thresholds

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

l) Depreciation of Property, Plant and Equipment

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

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

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

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

m) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 21 for further information regarding fair value.

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

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

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

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

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

n) Impairment of Property, Plant and Equipment

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

o) 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.

Murrumbidgee 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

p) Maintenance

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

q) Leased Assets

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

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

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

r) Inventories

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

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

s) Loans and Receivables

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

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

t) Investments

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

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

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

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

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

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

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

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

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

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

Murrumbidgee 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

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

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

u) Impairment of Financial Assets

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

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

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

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

v) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

w) Payables

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

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

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

x) Borrowings

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

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

y) Fair Value Hierarchy

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

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

The MLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Refer to Note 21 for further disclosures regarding fair value measurements of financial and non-financial assets.

Murrumbidgee 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

z) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(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.

aa) Trust Funds

The MLHD receives monies in a trustee capacity for various trusts as set out in Note 28.

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

ab) Adjusted Budgeted Amounts

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 34.

Murrumbidgee 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

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

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

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

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

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 applies to annual periods beginning on or after 1 January 2017. The standard amends *AASB 107 Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

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

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

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

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

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

Murrumbidgee 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)	278,168	252,581
----	----	Superannuation - Defined Benefit Plans	3,093	3,432
----	----	Superannuation - Defined Contribution Plans	23,668	21,439
----	----	Long Service Leave	3,900	14,854
----	----	Redundancies	1,624	49
----	----	Workers' Compensation Insurance	3,338	3,405
----	----	Fringe Benefits Tax	32	22
-----	-----		-----	-----
-----	-----		313,823	295,782
The amounts below are capitalised and do not form part of the above total employee related costs:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	44	1,664
3. Personnel Services				
278,168	252,581	Salaries and Wages	----	----
----	1	Superannuation - Defined Benefit Plans	----	----
23,668	21,439	Superannuation - Defined Contribution Plans	----	----
(193)	903	Long Service Leave	----	----
1,624	49	Redundancies	----	----
3,338	3,405	Workers' Compensation Insurance	----	----
32	22	Fringe Benefits Tax	----	----
-----	-----		-----	-----
306,637	278,400		-----	-----
Personnel services of Murrumbidgee Local Health District was provided by its controlled entity, Murrumbidgee Local Health District Special Purpose Service Entity.				
The amounts below are capitalised and do not form part of the above total personnel services:				
44	1,664	Personnel Services Expenses Capitalised - Land and Buildings	----	----

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

2017	2016		2017	2016
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
136	106	Advertising	136	106
60	95	Auditor's Remuneration - Audit of Financial Statements	60	95
2,075	2,237	Blood and Blood Products	2,075	2,237
417	258	Consultancies	417	258
187	110	Contractors	187	110
16,817	15,855	Domestic Supplies and Services	16,817	15,855
16,129	13,865	Drug Supplies	16,129	13,865
16,429	15,841	Food Supplies	16,429	15,841
4,960	4,392	Fuel, Light and Power	4,960	4,392
14,597	14,862	Hospital Ambulance Transport Costs	14,597	14,862
9,497	8,046	Information Management Expenses	9,497	8,046
641	711	Insurance	641	711
17,671	16,685	Maintenance (See 4(b) below)	17,671	16,685
18,350	15,586	Medical and Surgical Supplies	18,350	15,586
1,216	1,105	Motor Vehicle Expenses	1,216	1,105
1,347	1,063	Postal and Telephone Costs	1,347	1,063
993	992	Printing and Stationery	993	992
824	748	Rates and Charges	824	748
4,112	3,653	Rental	4,112	3,653
4,483	3,871	Hosted Services Purchased from entities controlled by the immediate parent	4,483	3,871
33,206	30,636	Special Service Departments (Radiology, Pathology, Dental, Allied Health)	33,206	30,636
5,554	4,325	Staff Related Costs	5,554	4,325
3,453	2,805	Travel Related Costs	3,453	2,805
18,632	18,989	Other (See 4(a) below)	18,632	18,989
191,786	176,836		191,786	176,836

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
1,922	1,803	Contract for Patient Services	1,922	1,803
5,967	6,027	Corporate Support Services	5,967	6,027
416	380	Courier and Freight	416	380
3,885	2,964	Isolated Patient Travel and Accommodation Assistance Scheme	3,885	2,964
268	96	Legal Services	268	96
444	343	Membership/Professional Fees	444	343
1,960	2,001	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,960	2,001
169	189	Other Operating Lease Expense - Minimum Lease Payments	169	189
11	13	Quality Assurance/Accreditation	11	13
287	257	Security Services	287	257
----	414	Services Purchased from Health Reform Transition Organisations	----	414
3,303	4,502	Other Miscellaneous	3,303	4,502
18,632	18,989		18,632	18,989
b) Reconciliation of Total Maintenance				
4,407	2,992	Maintenance Contracts	4,407	2,992
8,168	8,632	New/Replacement Equipment under \$10,000	8,168	8,632
4,888	4,960	Repairs Maintenance/Non Contract	4,888	4,960
208	101	Other	208	101
17,671	16,685	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	17,671	16,685
2,606	2,721	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,606	2,721
20,277	19,406		20,277	19,406

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

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

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

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

Some 'Other Miscellaneous Expenses' were paid to the immediate parent.

Some 'Special Service Departments Expenses' and 'Medical and Surgical Supplies' were paid to Health Administration Corporation which is an entity controlled by the immediate parent.

The majority of 'Motor Vehicle Expenses' and 'Motor Vehicle Operating Lease Expense - Minimum Lease Payments' were paid to SG Fleet , an entity controlled by the ultimate parent.

Murrumbidgee 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				
17,803	14,501	Depreciation - Buildings	17,803	14,501
6,682	5,154	Depreciation - Plant and Equipment	6,682	5,154
422	382	Depreciation - Infrastructure Systems	422	382
46	8	Amortisation - Leasehold Improvements	46	8
24,953	20,045		24,953	20,045
6. Grants and Subsidies				
1,499	1,359	Non-Government Organisations	1,499	1,359
110	368	Grants paid to entities controlled by the immediate parent	110	368
126	10	Other Grants	126	10
1,735	1,737		1,735	1,737
7. Finance Costs				
12	14	Interest on Loans	12	14
2	----	Other Interest Charges	2	----
14	14		14	14
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
16,298	15,088	Mercy Health Service	16,298	15,088
16,298	15,088		16,298	15,088

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
57	63	Pharmacy Sales	57	63
980	820	Sale of Prosthesis	980	820
2	11	Other	2	11
b) Rendering of Services comprise the following:-				
		Patient Fees		
34,905	34,374	- Inpatient Fees	34,905	34,374
7,427	7,874	- Nursing Home Fees	7,427	7,874
1,907	1,933	- Non Inpatient Fees	1,907	1,933
9,753	10,337	Department of Veterans' Affairs	9,753	10,337
197	202	Staff-Meals and Accommodation	197	202
92	80	Infrastructure Fees - Monthly Facility Charge	92	80
17	15	Cafeteria/Kiosk	17	15
73	109	Car Parking	73	109
1	----	Child Care Fees	1	----
6,873	5,637	Clinical Services (excluding Clinical Drug Trials)	6,873	5,637
64	(268)	Commercial Activities	64	(268)
50	47	Fees for Medical Records	50	47
6	5	Information Retrieval	6	5
8,718	6,048	Highly Specialised Drugs	8,718	6,048
58	29	Linen Service Revenues - Non Health Services	58	29
2	2	Meals on Wheels	2	2
2,743	2,664	Motor Accident Authority Third Party	2,743	2,664
17	62	Patient Transport Fees	17	62
36	33	Private Use of Motor Vehicles	36	33
62	317	Salary Packaging Fee	62	317
1,232	1,215	Hosted Services Provided to entities controlled by immediate parent	1,232	1,215
439	320	Services Provided to Non NSW Health Organisations	439	320
9	6	Use of Ambulance Facilities	9	6
14,186	12,522	Multi Purpose Service Centre Fees	14,186	12,522
154	158	Other	154	158
90,060	84,615		90,060	84,615
10. Investment Revenue				
191	223	Interest	191	223
191	223		191	223

Murrumbidgee 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
11. Grants and Contributions				
4,040	4,059	Commonwealth Government Grants	4,040	4,059
----	70	Commonwealth Teaching Hospital Grants	----	70
1,425	1,013	Industry Contributions/Donations	1,425	1,013
5,469	4,972	Cancer Institute Grants	5,469	4,972
3,072	820	Grants received from entities controlled by the ultimate parent	3,072	820
1,309	3,704	Grants received from entities controlled by the immediate parent	1,309	3,704
2	3	Research Grants	2	3
1,463	1,582	Other Grants	1,463	1,582
16,780	16,223		16,780	16,223

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

The majority of 'Grants that were received from entities controlled by the ultimate parent' were received from The Health Administration Corporation which is an entity controlled by the immediate parent.

Some of 'Grants that were received from entities controlled by the ultimate parent' were received from Department of Health & Ageing which is an entity controlled by the ultimate parent.

The majority of 'Grants that were received from entities controlled by the immediate parent' were received from Cancer Institute which is an entity controlled by the immediate parent.

12. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	3,093	3,431
----	----	Long Service Leave	4,093	13,951
----	----		7,186	17,382

13. Other Revenue

Other Revenue comprises the following:-

----	2	Bad Debts Recovered	----	2
15	17	Commissions	15	17
577	448	Conference and Training Fees	577	448
----	120	Discounts received	----	120
3	----	Insurance Refunds	3	----
876	896	Lease and Rental*	876	896
----	47	Property not Previously Recognised	----	47
1,703	4,373	Treasury Managed Fund Hindsight Adjustment	1,703	4,373
228	2,745	Other	228	2,745
3,402	8,648		3,402	8,648

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

Murrumbidgee 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
14. Gain / (Loss) on Disposal				
3,601	47,557	Property, Plant and Equipment	3,601	47,557
(3,601)	(47,557)	Accumulated Depreciation	(3,601)	(47,557)
-----	-----		-----	-----
1	7	Written Down Value	1	7
		Proceeds from Disposal		
-----	-----		-----	-----
1	7	Gain/(Loss) on Disposal of Property, Plant and Equipment	1	7
-----	295	Assets Held for Sale	-----	295
-----	520	Proceeds from Disposal	-----	520
-----	225	Gain/(Loss) on Disposal of Assets Held for Sale	-----	225
-----	-----		-----	-----
1	232	Total Gain/(Loss) on Disposal	1	232
-----	-----		-----	-----
15. Other Gains / (Losses)				
-----	658	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	-----	658
(64)	(647)	Impairment of Receivables	(64)	(647)
-----	-----		-----	-----
(64)	11		(64)	11
-----	-----		-----	-----

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

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	4	2,993	185	3,182
Contributions recognised in previous years which were not expended in the current reporting period	126	1,497	44	1,667
Total amount of unexpended contributions as at reporting date	130	4,490	229	4,849

Comment on restricted assets appears in Note 22

Murrumbidgee 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
17. Cash and Cash Equivalents				
1,565	3,888	Cash at Bank and On Hand	1,565	3,888
5,000	5,000	Short Term Deposits	5,000	5,000
<u>6,565</u>	<u>8,888</u>		<u>6,565</u>	<u>8,888</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>6,565</u>	<u>8,888</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>6,565</u>	<u>8,888</u>
<u>6,565</u>	<u>8,888</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>6,565</u>	<u>8,888</u>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
18. Receivables				
Current				
5,975	8,078	Sale of Goods and Services	5,975	8,078
4,368	4,064	Intra Health Receivables	4,368	4,064
2,876	2,543	Goods and Services Tax	2,876	2,543
291	2,257	Other Debtors	291	2,257
<hr/>	<hr/>		<hr/>	<hr/>
13,510	16,942	Sub Total	13,510	16,942
<hr/>	<hr/>		<hr/>	<hr/>
(204)	(497)	Less Allowance for Impairment	(204)	(497)
<hr/>	<hr/>		<hr/>	<hr/>
13,306	16,445	Sub Total	13,306	16,445
537	486	Prepayments	537	486
<hr/>	<hr/>		<hr/>	<hr/>
13,843	16,931		13,843	16,931
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
<p>Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation, eHealth and Cancer Institute.</p>				
<p>a) Movement in the Allowance for Impairment</p>				
Sale of Goods and Services				
(462)	(374)	Balance at Commencement of Reporting Period	(462)	(374)
323	520	Amounts written off during the period	323	520
5	7	Amounts recovered during the period	5	7
<hr/>	<hr/>	(Increase)/decrease in Allowance Recognised in the Net Result	<hr/>	<hr/>
(56)	(614)		(56)	(614)
<hr/>	<hr/>	Balance at 30 June	<hr/>	<hr/>
(190)	(462)		(190)	(462)
<p>b) Movement in the Allowance for Impairment</p>				
Other Debtors				
(35)	(16)	Balance at Commencement of Reporting Period	(35)	(16)
29	14	Amounts written off during the period	29	14
<hr/>	<hr/>	(Increase)/decrease in Allowance Recognised in the Net Result	<hr/>	<hr/>
(8)	(33)		(8)	(33)
<hr/>	<hr/>	Balance at 30 June	<hr/>	<hr/>
(14)	(35)		(14)	(35)
<hr/>	<hr/>		<hr/>	<hr/>
(204)	(497)		(204)	(497)
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
<p>c) The current and non-current sale of goods and services balances above include the following patient fee receivables:</p>				
(Current and Non-Current) include:				
564	720	Patient Fees - Compensable	564	720
398	297	Patient Fees - Ineligible	398	297
4,122	5,880	Patient Fees - Inpatient & Other	4,122	5,880
<hr/>	<hr/>		<hr/>	<hr/>
5,084	6,897		5,084	6,897
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

Murrumbidgee 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
		19. Inventories		
349	272	Drugs	349	272
668	614	Medical and Surgical Supplies	668	614
168	115	Engineering Supplies	168	115
284	279	Other Including Goods in Transit	284	279
1,469	1,280		1,469	1,280
1,469	1,280		1,469	1,280

Murrumbidgee 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
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
757,840	734,112	Gross Carrying Amount	757,840	734,112
286,617	269,308	Less: Accumulated Depreciation and Impairment	286,617	269,308
471,223	464,804	Net Carrying Amount	471,223	464,804
Plant and Equipment - Fair Value*				
63,729	63,388	Gross Carrying Amount	63,729	63,388
29,447	25,872	Less: Accumulated Depreciation and Impairment	29,447	25,872
34,282	37,516	Net Carrying Amount	34,282	37,516
Infrastructure Systems - Fair Value				
17,975	17,975	Gross Carrying Amount	17,975	17,975
11,100	10,678	Less: Accumulated Depreciation and Impairment	11,100	10,678
6,875	7,297	Net Carrying Amount	6,875	7,297
Leasehold Improvements - Fair Value*				
371	371	Gross Carrying Amount	371	371
54	8	Less: Accumulated Depreciation and Impairment	54	8
317	363	Net Carrying Amount	317	363
512,697	509,980	Total Property, Plant and Equipment At Net Carrying Amount	512,697	509,980

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

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

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	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	28,247	436,557	37,516	7,297	363	509,980
Additions	27	24,458	2,248	----	----	26,733
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	937	----	----	937
Depreciation Expense	----	(17,803)	(6,682)	(422)	(46)	(24,953)
Reclassifications	----	(263)	263	----	----	----
Net carrying amount at end of year	28,274	442,949	34,282	6,875	317	512,697

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	30,270	399,146	20,097	5,199	----	454,712
Additions	----	57,951	18,319	----	----	76,270
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	3,057	----	----	3,057
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(2,023)	(4,471)	----	1,822	----	(4,672)
Impairment Losses (Recognised in "Other Gains/Losses)	----	----	----	658	----	658
Depreciation Expense	----	(14,501)	(5,154)	(382)	(8)	(20,045)
Reclassifications	----	(1,568)	1,197	----	371	----
Net carrying amount at end of year	28,247	436,557	37,516	7,297	363	509,980

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the MLHD [see note 1(j)].
- (ii) Indices provided by Opteon Property Group were not applied as they were deemed immaterial.

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

21. 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 20)				
- Land and Buildings	----	4,293	249,651	253,944
- Infrastructure Systems	----	----	6,875	6,875
	-----	-----	-----	-----
	----	4,293	256,526	260,819

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 20.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	2,837	265,367	268,204
- Infrastructure Systems	----	----	7,297	7,297
	-----	-----	-----	-----
	----	2,837	272,664	275,501

There were no transfers between level 1 and 2 during the 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 20.

PARENT & CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the MLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Property Group for the FY15/16 financial year. Opteon Property Group is an independent entity and is not an associated entity of the MLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made.

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

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

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

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

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.

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

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	265,367	7,297	272,664
Transfers to Level 2	(2,976)	----	(2,976)
Disposals	(364)	----	(364)
Depreciation	(12,376)	(422)	(12,798)
Fair value as at 30 June 2017	249,651	6,875	256,526

There were no transfers between Level 1 or 2 during the periods 1 July 2016 to 30 June 2017.

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	223,917	5,199	229,116
Revaluation increments/decrements recognised in net result – included in the line item 'Other gains/ (losses)'	----	658	658
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(7,661)	1,822	(5,839)
Transfers from Level 2	1,199	----	1,199
Depreciation	(12,213)	(382)	(12,595)
OTHER - Assets recognised at FV for the first time	60,125	----	60,125
Fair value as at 30 June 2016	265,367	7,297	272,664

There were no transfers between Level 1 or 2 during the periods 1 July 2015 to 30 June 2016.

Murrumbidgee 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
22. Restricted Assets				
<p>The MLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
3,126	2,868	Specific Purposes	3,126	2,868
125	60	Education	125	60
1,413	1,258	Frontline Services	1,413	1,258
185	185	Other	185	185
<hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> 4,849	<hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> 4,371		<hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> 4,849	<hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> 4,371

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	8,452	5,750
----	----	Taxation and Payroll Deductions	1,007	1,382
9,459	7,132	Accrued Liability - Purchase of Personnel Services	----	----
16,510	13,562	Creditors	16,510	13,562
		Other Creditors		
106	59	- Capital Works	106	59
10,983	8,787	- Payables to entities controlled by the immediate parent	10,983	8,787
3,588	5,607	- Other	3,588	5,607
<u>40,646</u>	<u>35,147</u>		<u>40,646</u>	<u>35,147</u>

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 35.

24. Borrowings

		Current		
76	74	Other Loans and Deposits	76	74
<u>76</u>	<u>74</u>		<u>76</u>	<u>74</u>
		Non-Current		
323	398	Other Loans and Deposits	323	398
<u>323</u>	<u>398</u>		<u>323</u>	<u>398</u>

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

Final repayment of loan is scheduled for 30 June 2022.

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
25. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	27,541	26,014
----	----	Annual Leave - Long Term Benefit	2,989	3,429
----	----	Long Service Leave Consequential On-Costs	5,612	5,793
36,142	35,236	Provision for Personnel Services Liability	----	----
473	----	Other	473	----
<u>36,615</u>	<u>35,236</u>		<u>36,615</u>	<u>35,236</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	488	504
488	504	Provision for Personnel Services Liability	----	----
<u>488</u>	<u>504</u>		<u>488</u>	<u>504</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	36,615	35,236
----	----	Provisions - Non-Current	488	504
----	----	Accrued Salaries, Wages and On-Costs (Note 23)	9,459	7,132
46,562	42,872	Liability - Purchase of Personnel Services	----	----
<u>46,562</u>	<u>42,872</u>		<u>46,562</u>	<u>42,872</u>
26. Other Liabilities				
Current				
85	51	Income in Advance	85	51
<u>85</u>	<u>51</u>		<u>85</u>	<u>51</u>

Murrumbidgee 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
27. 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:				
18,092	19,965	Not later than one year	18,092	19,965
4,947	4,472	Later than one year and not later than five years	4,947	4,472
<u>23,039</u>	<u>24,437</u>	Total Capital Expenditure Commitments (Including GST)	<u>23,039</u>	<u>24,437</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,159	2,496	Not later than one year	3,159	2,496
6,396	2,671	Later than one year and not later than five years	6,396	2,671
2,400	333	Later than five years	2,400	333
<u>11,955</u>	<u>5,500</u>	Total Operating Lease Commitments (Including GST)	<u>11,955</u>	<u>5,500</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 SG Fleet, 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 \$35.0M million as at 30 June 2017 includes input tax credits of \$3.18M that are expected to be recoverable from the Australian Taxation Office (2016 \$2.64M).				

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

28. Trust Funds

The MLHD holds trust funds of \$3.0 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	1,223	111	28	33	628	2,428	1,879	2,572
Revenue	2,555	1,389	5	15	6,389	7,099	8,949	8,503
Expenses	(1,073)	(277)	(4)	(20)	(6,730)	(8,899)	(7,807)	(9,196)
Balance at the end of the financial year	2,705	1,223	29	28	287	628	3,021	1,879

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

29. Contingent Liabilities and Assets

Murrumbidgee Local Health District has no contingent liabilities or assets.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
24,485	76,898	Net Cash Flows from Operating Activities	24,485	76,898
(24,953)	(20,046)	Depreciation and Amortisation	(24,953)	(20,046)
(64)	(648)	Allowance for Impairment	(64)	(648)
(34)	307	(Increase)/ Decrease Income in Advance	(34)	307
(1,363)	(2,465)	(Increase)/ Decrease in Provisions	(1,363)	(2,465)
(3,006)	2,536	Increase / (Decrease) in Prepayments and Other Assets	(3,006)	2,536
(5,331)	(2,523)	(Increase)/ Decrease in Payables from Operating Activities	(5,331)	(2,523)
-----	658	Revaluation of Property, Plant and Equipment recognised in "Other gains/(losses)"	-----	658
1	232	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	1	232
937	3,104	Assets donated or brought to account for the first time	937	3,104
(9,328)	58,053	Net Result	(9,328)	58,053
31. Non-Cash Financing and Investing Activities				
937	3,104	Assets Received by Donation	937	3,104
937	3,104		937	3,104
32. 2016/17 Voluntary Services				
<p>It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the MLHD. Services provided include:</p> <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities 				
33. Unclaimed Monies				
<p>Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i>.</p> <p>All money and personal effects of patients which are left in the custody of the MLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the MLHD.</p> <p>All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.</p>				

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

34. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$11 million, primarily due to:

Expenses were higher to budget by approximately \$7.6M reflecting increased costs in employee related and goods and services costs associated with overall higher activity level, principally at Wagga Wagga Rural Referral Hospital and Griffith Base Hospital. Overall revenues were lower than budget by approximately \$4.8M. The principal cause being reductions in revenues from DVA and Transitional Residential Aged Care Programs. Inpatient revenues whilst an increase on the prior year were lower than budget.

Assets and Liabilities

The total value of Current Assets decreased during 2016/17 by \$4.7M. The principal reasons being a reduction in patient fee debtors of \$1.8M and Intrahealth (other Local Health Districts / NSW Health entities) lower by \$1.7M. Other Miscellaneous Debtors have decreased by \$2.0M. The balance of changes related to movements in GST (recoveries), impairments and prepayments. The reduction in Non-Current Assets was principally due to the continued depreciation of plant & equipment and infrastructure systems. Current Liabilities increased by \$6.9M with payables increasing by \$5.5M in the areas of salaries & wages accruals, general creditors and Intrahealth creditors.

Cash Flows

Cash Flow Payments were higher than budget by \$2.7M principally in the Other category (Goods & Services). Overall receipts were effectively on budget with lower Capital Allocation receipts offset by higher Grants & Contributions.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 21 June 2016 are as follows:

	\$000
Initial Allocation	414,994
Purchase of Additional Activity	9,997
Funding of Voluntary Redundancies	2,055
Isolated Patients Travel and Accommodation Assistance Scheme	1,794
Nursing & Midwifery Enhancements	1,104
Health Wide Area Network	1,073
Rural Generalist Training Programs	596
Aged Care Assessment Program	402
Dental National Partnership Agreement	650
Integrated Care Demonstrator Program	379
Other Miscellaneous Funding Enhancements	2,059
Balance as per Statement of Comprehensive Income	<u>435,103</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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35. Financial Instruments

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

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

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

(a) Financial Instrument Categories

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Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	6,565	8,888
Receivables (note 18)*	Loans and receivables (at amortised cost)	10,430	13,902
		<u>16,995</u>	<u>22,790</u>
Financial Liabilities			
Borrowings (note 24)		399	472
Payables (note 23)**	Financial liabilities measured at amortised cost	39,639	33,765
		<u>40,038</u>	<u>34,237</u>

Notes

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

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

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the MLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35 in 2016/17 compared to 2.6 in the previous year.

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35. Financial Instruments

Receivables - trade debtors

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

The MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$5.144M; 2016: \$8.41M) and not more than 3 months past due (2017: \$0.746M; 2016: \$1.07M) are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the MLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	787	746	41
3 months - 6 months overdue	217	131	86
> 6 months overdue	118	41	77
2016			
<3 months overdue	1,130	1,072	58
3 months - 6 months overdue	439	288	151
> 6 months overdue	356	68	288

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.

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35. Financial Instruments

(c) Liquidity Risk

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

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

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

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

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

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

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

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35. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure			Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2017	\$000	\$000	\$000	\$000	\$000	\$000
Payables:						
- Accrued Salaries Wages, On-Costs and Payroll Deductions	8,452	----	8,452	8,452	----	----
- Creditors	31,187	----	31,187	31,187	----	----
Borrowings:						
- Loans and Deposits	399	399	----	76	323	----
	<u>40,038</u>	<u>399</u>	<u>39,639</u>	<u>39,715</u>	<u>323</u>	<u>----</u>
2016						
Payables:						
- Accrued Salaries Wages, On-Costs and Payroll Deductions	5,750	----	5,750	5,750	----	----
- Creditors	28,015	----	28,015	28,015	----	----
Borrowings:						
- Loans and Deposits	472	472	----	74	314	84
	<u>34,237</u>	<u>472</u>	<u>33,765</u>	<u>33,839</u>	<u>314</u>	<u>84</u>

Notes:

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

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35. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The MLHD's exposures to market risk are primarily through interest rate risk on the MLHD's borrowings. The MLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

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

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

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The MLHD'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	6,565	(66)	(66)	66	66
Receivables	10,430	----	----	----	----
Financial Liabilities					
Payables	39,639	----	----	----	----
Borrowings	399	4	4	(4)	(4)
2016					
Financial Assets					
Cash and Cash Equivalents	8,888	(89)	(89)	89	89
Receivables	13,902	----	----	----	----
Financial Liabilities					
Payables	33,765	----	----	----	----
Borrowings	472	5	5	(5)	(5)

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36. Related Party Transactions

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Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	655
Post-employment benefits	50
	<u>705</u>

During the financial year, Murrumbidgee Local Health District obtained key management personnel services from the immediate parent and incurred \$0.3M for these services.

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

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

Transactions with key management personnel and their close family members

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

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

37. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS