

**Mid North Coast
Local Health District**

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Mid North Coast Local Health District

To Members of the New South Wales Parliament

Opinion

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

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

Parliament further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Emphasis of Matter – Presentation of Budget Information

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the ability of the District and the consolidated entity to continue as a going concern except where operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must, disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Chris Clayton
Director, Financial Audit Services

7 September 2017
SYDNEY

**Mid North Coast 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 Mid North Coast 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 Mid North Coast Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Stewart Downick

Chief Executive

7th September 2017

Mid North Coast 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		355,497	351,208	343,570	
346,956	342,579	327,233	Personnel Services	3		----	----	----	
52,022	49,072	49,508	Visiting Medical Officers			52,022	49,072	49,508	
168,013	171,647	169,405	Other Operating Expenses	4		168,013	171,647	169,405	
20,343	21,179	18,602	Depreciation and Amortisation	1(m), 5		20,343	21,179	18,602	
2,223	2,020	2,145	Grants and Subsidies	6		2,223	2,020	2,145	
2	----	3	Finance Costs	1(g), 7		2	----	3	
<u>589,559</u>	<u>586,497</u>	<u>566,896</u>	Total Expenses excluding losses			<u>598,100</u>	<u>595,126</u>	<u>583,233</u>	
			Revenue						
487,514	487,595	456,384	NSW Ministry of Health Recurrent Allocations	1(h)		487,514	487,595	456,384	
15,445	16,522	28,569	NSW Ministry of Health Capital Allocations	1(h)		15,445	16,522	28,569	
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 11		8,541	8,629	16,337	
68,239	67,515	69,906	Sale of Goods and Services	1(h), 8		68,239	67,515	69,906	
474	150	543	Investment Revenue	1(h), 9		474	150	543	
13,059	10,088	13,261	Grants and Contributions	1(h), 10		13,059	10,088	13,261	
3,541	3,237	6,926	Other Revenue	12		3,541	3,237	6,926	
<u>588,272</u>	<u>585,107</u>	<u>575,589</u>	Total Revenue			<u>596,813</u>	<u>593,736</u>	<u>591,926</u>	
(754)	(580)	(612)	Gain / (Loss) on Disposal	13		(754)	(580)	(612)	
(187)	(13)	(55)	Other Gains / (Losses)	14		(187)	(13)	(55)	
<u>(2,228)</u>	<u>(1,983)</u>	<u>8,026</u>	Net Result	29		<u>(2,228)</u>	<u>(1,983)</u>	<u>8,026</u>	
			Other Comprehensive Income						
			Items that will not be reclassified to net result						
			Net Increase/(Decrease) in Property, Plant &						
37,846	----	----	Equipment Revaluation Surplus	20		37,846	----	----	
<u>37,846</u>	----	----	Total Other Comprehensive Income			<u>37,846</u>	----	----	
<u>35,618</u>	<u>(1,983)</u>	<u>8,026</u>	TOTAL COMPREHENSIVE INCOME			<u>35,618</u>	<u>(1,983)</u>	<u>8,026</u>	

The accompanying notes form part of these financial statements.

Mid North Coast 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									
16,746	19,853	20,118		16,746	19,853	20,118			
18,051	20,498	20,735	16	18,051	20,498	20,735			
801	754	754	17	801	754	754			
6,000	3,000	3,000	18	6,000	3,000	3,000			
41,598	44,105	44,607	19	41,598	44,105	44,607			
Non-Current Assets									
425,936	404,649	394,814		425,936	404,649	394,814			
25,288	17,403	27,587	20	25,288	17,403	27,587			
18,684	12,010	12,154	20	18,684	12,010	12,154			
568	248	-----	20	568	248	-----			
470,476	434,310	434,555		470,476	434,310	434,555			
512,074	478,415	479,162		512,074	478,415	479,162			
LIABILITIES									
Current Liabilities									
37,054	43,507	42,832		37,054	43,507	42,832			
16	8	8	23	16	8	8			
49,897	47,648	46,892	24	49,897	47,648	46,892			
76	-----	-----	25	76	-----	-----			
87,043	91,163	89,732	26	87,043	91,163	89,732			
Non-Current Liabilities									
24	(153)	47		24	(153)	47			
519	519	513	24	519	519	513			
543	366	560	25	543	366	560			
87,586	91,529	90,292		87,586	91,529	90,292			
424,488	386,886	388,870		424,488	386,886	388,870			
EQUITY									
62,809	23,000	23,000		62,809	23,000	23,000			
361,679	363,886	365,870		361,679	363,886	365,870			
424,488	386,886	388,870		424,488	386,886	388,870			

The accompanying notes form part of these financial statements.

Mid North Coast Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
Balance at 1 July 2016		365,870	23,000	-----	388,870
Net Result for the year		(2,228)	-----	-----	(2,228)
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	37,846	-----	37,846
Available for Sale Financial Assets:					
Transfers on Disposal		(1,963)	1,963	-----	-----
Total Other Comprehensive Income		(1,963)	39,809	-----	37,846
Total Comprehensive Income for the year		(4,191)	39,809	-----	35,618
Balance at 30 June 2017		361,679	62,809	-----	424,488
Balance at 1 July 2015		357,844	23,000	-----	380,844
Net Result for the year		8,026	-----	-----	8,026
Other Comprehensive Income:					
Transfers on Disposal		-----	-----	-----	-----
Total Other Comprehensive Income		-----	-----	-----	-----
Total Comprehensive Income for the year		8,026	-----	-----	8,026
Balance at 30 June 2016		365,870	23,000	-----	388,870

The accompanying notes form part of these financial statements.

Mid North Coast 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						
				(347,926)	(347,121)	(327,369)
(2,442)	(2,239)	(2,334)	Employee Related	(2,442)	(2,239)	(2,334)
(2)	---	(3)	Grants and Subsidies	(2)	---	(3)
(594,344)	(586,918)	(563,883)	Finance Costs	(246,418)	(239,797)	(236,514)
			Other			
(596,788)	(589,157)	(566,220)	Total Payments	(596,788)	(589,157)	(566,220)
Receipts						
487,512	487,595	456,384	NSW Ministry of Health Recurrent Allocations	487,512	487,595	456,384
15,443	16,522	28,569	NSW Ministry of Health Capital Allocations	15,443	16,522	28,569
5,783	5,783	5,273	Reimbursements from the Crown Entity	5,783	5,783	5,273
68,141	68,450	71,453	Sale of Goods and Services	68,141	68,450	71,453
474	150	543	Interest Received	474	150	543
13,931	10,959	14,037	Grants and Contributions	13,931	10,959	14,037
24,319	21,147	18,421	Other	24,319	21,147	18,421
615,603	610,606	594,680	Total Receipts	615,603	610,606	594,680
18,815	21,449	28,460	NET CASH FLOWS FROM OPERATING ACTIVITIES	18,815	21,449	28,460
CASH FLOWS FROM INVESTING ACTIVITIES						
170	---	136	Proceeds from Sale of Property, Plant & Equipment	170	---	136
6,000	6,000	8,089	Proceeds from Sale of Investments	6,000	6,000	8,089
(19,342)	(21,514)	(33,679)	Purchases of Property, Plant & Equipment	(19,342)	(21,514)	(33,679)
(9,000)	(6,000)	(3,000)	Purchases of Investments	(9,000)	(6,000)	(3,000)
(22,172)	(21,514)	(28,454)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(22,172)	(21,514)	(28,454)
CASH FLOWS FROM FINANCING ACTIVITIES						
(15)	(200)	(14)	Repayment of Borrowings and Advances	(15)	(200)	(14)
(15)	(200)	(14)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(15)	(200)	(14)
(3,372)	(265)	(8)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,372)	(265)	(8)
20,118	20,118	20,126	Opening Cash and Cash Equivalents	20,118	20,118	20,126
16,746	19,853	20,118	CLOSING CASH AND CASH EQUIVALENTS	16,746	19,853	20,118

The accompanying notes form part of these financial statements.

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 15 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 Mid North Coast Local Health District Special Purpose Service Entity which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

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

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 7th September 2017.

b) Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 (the Act), and the financial Reporting Directions issued by the Treasurer under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at note 1(a).

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

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

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

c) Comparative Information

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

1. Summary of Significant Accounting Policies

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 16.7%). The District has assessed the actuarial advice based on the District's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in note 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 District has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

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

g) Finance Costs

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

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

1. Summary of Significant Accounting Policies

h) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

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

Highly Specialised Drugs

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

State Insurance Regulatory Authority (SIRA)

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

Department of Veterans' Affairs

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

Investment Revenue

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

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Refer to note 8(b) for further details.

Use of Outside Facilities

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

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

Grants and Contributions

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

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

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

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

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

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

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

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

j) Interstate Patient Flows

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

k) Acquisition of Assets

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

Most assets are acquired 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.

Refer to note 1(ac) for assets transferred as a result of equity transfer.

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

l) Capitalisation Thresholds

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

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

1. Summary of Significant Accounting Policies

m) Depreciation of Property, Plant and Equipment

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

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

Buildings	2.5%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20%
- Electro Medical Equipment	
* Costing less than \$200,000	10%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5%
- Linen	25%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20%
- Office Equipment	10%
- Plant and Machinery	10%
- Leasehold Improvements	16.7%

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

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

n) Revaluation of Non-Current Assets

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

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

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

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

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.

1. Summary of Significant Accounting Policies

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

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

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

o) Impairment of Property, Plant and Equipment

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

p) Restoration Costs

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

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

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

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

r) Investment Properties

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

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

s) Maintenance

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

t) Leased Assets

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

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

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

u) Inventories

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

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

v) Loans and Receivables

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

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

Mid North Coast 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

w) Investments

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

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

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

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

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

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

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

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

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

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

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

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

x) Impairment of Financial Assets

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

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

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

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

1. Summary of Significant Accounting Policies

y) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

z) Payables

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

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

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

aa) 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.

ab) Fair Value Hierarchy

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

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

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

Refer to note 21 and note 33 for further disclosures regarding fair value measurements of financial and non-financial assets.

ac) Equity Transfers

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

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

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

Mid North Coast 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

ad) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ae) Trust Funds

The District receives monies in a trustee capacity for various trusts as set out in note 28.

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

af) Adjusted Budgeted Amounts

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in note 32.

1. Summary of Significant Accounting Policies

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

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

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

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

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.

Mid North Coast 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)	314,812	296,248
----	----	Superannuation - Defined Benefit Plans	2,018	2,258
----	----	Superannuation - Defined Contribution Plans	28,060	26,086
----	----	Long Service Leave	6,590	14,922
----	----	Redundancies	241	305
----	----	Workers' Compensation Insurance	3,693	3,672
----	----	Fringe Benefits Tax	83	79
-----	-----		-----	-----
-----	-----		355,497	343,570
-----	-----		-----	-----
The amounts below are capitalised and do not form part of the above total employee related costs:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	42	44
3. Personnel Services				
314,812	296,248	Salaries and Wages	----	----
28,060	26,086	Superannuation - Defined Contribution Plans	----	----
67	843	Long Service Leave	----	----
241	305	Redundancies	----	----
3,693	3,672	Workers' Compensation Insurance	----	----
83	79	Fringe Benefits Tax	----	----
-----	-----		-----	-----
346,956	327,233		-----	-----
-----	-----		-----	-----
Personnel services of Mid North Coast Local Health District was provided by its controlled entity, Mid North Coast Local Health District Special Purpose Service Entity.				
The amounts below are capitalised and do not form part of the above total personnel services:				
42	44	Personnel Services Expenses Capitalised - Land and Buildings	----	----

Mid North Coast 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				
59	52	Advertising	59	52
149	167	Auditor's Remuneration - Audit of Financial Statements	149	167
3,223	2,698	Blood and Blood Products	3,223	2,698
1,105	1,282	Consultancies	1,105	1,282
6,407	6,253	Domestic Supplies and Services	6,407	6,253
25,269	28,108	Drug Supplies	25,269	28,108
10,425	10,931	Food Supplies	10,425	10,931
3,711	3,625	Fuel, Light and Power	3,711	3,625
7,847	7,758	Hospital Ambulance Transport Costs	7,847	7,758
7,003	6,179	Information Management Expenses	7,003	6,179
695	426	Insurance	695	426
14,285	15,958	Maintenance (See 4(b) below)	14,285	15,958
31,219	29,392	Medical and Surgical Supplies	31,219	29,392
1,064	1,250	Motor Vehicle Expenses	1,064	1,250
1,625	1,710	Postal and Telephone Costs	1,625	1,710
1,383	1,540	Printing and Stationery	1,383	1,540
704	785	Rates and Charges	704	785
2,607	2,548	Rental	2,607	2,548
1,891	1,974	Hosted Services Purchased from entities controlled by the immediate parent	1,891	1,974
24,116	21,896	Special Service Departments (Dental, Radiology, Pathology, Allied Health)	24,116	21,896
3,521	3,430	Staff Related Costs	3,521	3,430
3,643	2,956	Travel Related Costs	3,643	2,956
16,062	18,487	Other (See 4(a) below)	16,062	18,487
168,013	169,405		168,013	169,405

Mid North Coast 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:				
6,509	6,464	Corporate Support Services	6,509	6,464
448	475	Courier and Freight	448	475
3,255	3,256	Isolated Patient Travel and Accommodation Assistance Scheme	3,255	3,256
449	148	Legal Services	449	148
148	170	Membership/Professional Fees	148	170
912	957	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	912	957
-----	2	Public Private Partnership Contracted Services	-----	2
1,294	1,357	Other Operating Lease Expense - Minimum Lease Payments	1,294	1,357
1	3	Quality Assurance/Accreditation	1	3
731	1,031	Security Services	731	1,031
2,315	4,624	Other Miscellaneous	2,315	4,624
16,062	18,487		16,062	18,487
b) Reconciliation of Total Maintenance				
6,408	5,678	Maintenance Contracts	6,408	5,678
4,262	7,598	New/Replacement Equipment under \$10,000	4,262	7,598
3,609	2,667	Repairs Maintenance/Non Contract	3,609	2,667
6	15	Other	6	15
14,285	15,958	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	14,285	15,958
1,730	1,744	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	1,730	1,744
16,015	17,702		16,015	17,702

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

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

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

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

Some of 'Special Service Departments' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Mid North Coast 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				
14,300	13,064	Depreciation - Buildings	14,300	13,064
5,358	5,001	Depreciation - Plant and Equipment	5,358	5,001
652	537	Depreciation - Infrastructure Systems	652	537
33	-----	Amortisation - Leasehold Improvements	33	-----
<u>20,343</u>	<u>18,602</u>		<u>20,343</u>	<u>18,602</u>
6. Grants and Subsidies				
1,841	1,036	Non-Government Organisations	1,841	1,036
113	308	Grants to Research Organisations	113	308
230	16	Grants paid to entities controlled by the immediate parent	230	16
39	785	Other Grants	39	785
<u>2,223</u>	<u>2,145</u>		<u>2,223</u>	<u>2,145</u>
7. Finance Costs				
2	3	Interest on Loans	2	3
<u>2</u>	<u>3</u>		<u>2</u>	<u>3</u>

Mid North Coast 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
8. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
42	63	Pharmacy Sales	42	63
1,632	1,607	Sale of Prosthesis	1,632	1,607
142	142	Other	142	142
b) Rendering of Services comprise the following:-				
		Patient Fees		
21,261	19,453	- Inpatient Fees	21,261	19,453
466	410	- Nursing Home Fees	466	410
1,305	1,588	- Non Inpatient Fees	1,305	1,588
11,825	12,718	Department of Veterans' Affairs	11,825	12,718
4	6	Staff-Meals and Accommodation	4	6
5,665	5,148	Infrastructure Fees - Monthly Facility Charge	5,665	5,148
2,367	1,799	Infrastructure Fees - Annual Charge	2,367	1,799
11	3	Cafeteria/Kiosk	11	3
1,025	856	Car Parking	1,025	856
821	725	Clinical Services (excluding Clinical Drug Trials)	821	725
238	281	Commercial Activities	238	281
4	3	Enteral Nutrition	4	3
73	69	Fees for Medical Records	73	69
14,663	17,574	Highly Specialised Drugs	14,663	17,574
54	66	Linen Service Revenues - Non Health Services	54	66
3,674	4,260	Motor Accident Authority Third Party	3,674	4,260
10	12	Patient Transport Fees	10	12
73	58	Private Use of Motor Vehicles	73	58
-----	206	Salary Packaging Fee	-----	206
2,479	2,348	Hosted Services Provided to entities controlled by immediate parent	2,479	2,348
59	142	Services Provided to Non NSW Health Organisations	59	142
4	4	Shared Corporate Services	4	4
342	365	Other	342	365
68,239	69,906		68,239	69,906
Some of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.				
9. Investment Revenue				
474	543	Interest	474	543
474	543		474	543

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
10. Grants and Contributions				
1,026	552	Clinical Drug Trials	1,026	552
4,060	3,772	Commonwealth Government Grants	4,060	3,772
951	1,377	Industry Contributions/Donations	951	1,377
1,194	1,075	Cancer Institute Grants	1,194	1,075
682	622	Grants received from entities controlled by the ultimate parent	682	622
1,007	2,407	Grants received from entities controlled by the immediate parent	1,007	2,407
----	30	Research Grants	----	30
4,139	3,426	Other Grants	4,139	3,426
13,059	13,261		13,059	13,261

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 Department of Family and Community Services.

The majority of grants that were received from entities controlled by the immediate parent were received from eHealth NSW and Agency for Clinical Innovation.

11. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	2,018	2,258
----	----	Long Service Leave	6,523	14,079
----	----		8,541	16,337

12. Other Revenue

Other Revenue comprises the following:-

87	26	Commissions	87	26
24	7	Conference and Training Fees	24	7
----	53	Discounts received	----	53
200	111	Insurance Refunds	200	111
184	162	Lease and Rental*	184	162
19	21	Sale of Merchandise, Old Wares and Books	19	21
----	14	Sponsorship	----	14
2,552	5,238	Treasury Managed Fund Hindsight Adjustment	2,552	5,238
475	1,294	Other	475	1,294
3,541	6,926		3,541	6,926

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

Mid North Coast 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
13. Gain / (Loss) on Disposal				
7,097	5,787	Property, Plant and Equipment	7,097	5,787
(6,173)	(5,038)	Accumulated Depreciation	(6,173)	(5,038)
924	749	Written Down Value	924	749
170	137	Proceeds from Disposal	170	137
(754)	(612)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(754)	(612)
(754)	(612)	Total Gain/(Loss) on Disposal	(754)	(612)
14. Other Gains / (Losses)				
(187)	(55)	Impairment of Receivables	(187)	(55)
(187)	(55)		(187)	(55)

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

PARENT & CONSOLIDATION

15. 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	2,148	8,525	663	11,336
Contributions recognised in previous years which were not expended in the current reporting period	7,300	1,300	1,645	10,245
Total amount of unexpended contributions as at reporting date	9,448	9,825	2,308	21,581

Comment on restricted assets appears in note 22

Mid North Coast 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
16. Cash and Cash Equivalents				
16,746	20,118	Cash at Bank and On Hand	16,746	20,118
16,746	20,118		16,746	20,118
<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>				
16,746	20,118	Cash and Cash Equivalents (per Statement of Financial Position)	16,746	20,118
16,746	20,118	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	16,746	20,118

Refer to note 33 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Mid North Coast 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. Receivables				
Current				
7,131	5,799	Sale of Goods and Services	7,131	5,799
3,483	1,958	Intra Health Receivables	3,483	1,958
4,538	4,870	Goods and Services Tax	4,538	4,870
3,106	7,866	Other Debtors	3,106	7,866
<u>18,258</u>	<u>20,493</u>	Sub Total	<u>18,258</u>	<u>20,493</u>
(1,122)	(1,066)	Less Allowance for Impairment	(1,122)	(1,066)
17,136	19,427	Sub Total	17,136	19,427
915	1,308	Prepayments	915	1,308
<u>18,051</u>	<u>20,735</u>		<u>18,051</u>	<u>20,735</u>

Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from eHealth NSW and Northern NSW Local Health District.

a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(371)	(203)	Balance at Commencement of Reporting Period	(371)	(203)
115	233	Amounts written off during the period	115	233
(110)	(401)	(Increase)/decrease in Allowance Recognised in the Net Result	(110)	(401)
<u>(366)</u>	<u>(371)</u>	Balance at 30 June	<u>(366)</u>	<u>(371)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(695)	(524)	Balance at Commencement of Reporting Period	(695)	(524)
16	33	Amounts written off during the period	16	33
(77)	(204)	(Increase)/decrease in Allowance Recognised in the Net Result	(77)	(204)
<u>(756)</u>	<u>(695)</u>	Balance at 30 June	<u>(756)</u>	<u>(695)</u>
<u>(1,122)</u>	<u>(1,066)</u>		<u>(1,122)</u>	<u>(1,066)</u>

Mid North Coast 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. Receivables		
		Non-Current		
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
----	(94)	Balance at Commencement of Reporting Period	----	(94)
----	94	(Increase)/decrease in Allowance Recognised in	----	94
-----	-----	the Net Result	-----	-----
		Balance at 30 June	-----	-----
		b) Movement in the Allowance for Impairment		
		Other Debtors		
----	(455)	Balance at Commencement of Reporting Period	----	(455)
----	455	(Increase)/decrease in Allowance Recognised in	----	455
-----	-----	the Net Result	-----	-----
		Balance at 30 June	-----	-----
-----	-----		-----	-----
=====	=====		=====	=====
		c) The current and non-current sale of goods and services		
		balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
302	338	Patient Fees - Compensable	302	338
328	237	Patient Fees - Ineligible	328	237
3,243	2,720	Patient Fees - Inpatient & Other	3,243	2,720
-----	-----		-----	-----
3,873	3,295		3,873	3,295
=====	=====		=====	=====

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in note 33.

Mid North Coast 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
		18. Inventories		
801	754	Drugs	801	754
801	754		801	754
		19. Financial Assets at Fair Value		
		Current		
6,000	3,000	Other	6,000	3,000
6,000	3,000		6,000	3,000

Refer to note 33 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Mid North Coast 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				
634,449	581,238	Gross Carrying Amount	634,449	581,238
208,513	186,424	Less: Accumulated Depreciation and Impairment	208,513	186,424
425,936	394,814	Net Carrying Amount	425,936	394,814
Plant and Equipment - Fair Value*				
55,380	57,973	Gross Carrying Amount	55,380	57,973
30,092	30,386	Less: Accumulated Depreciation and Impairment	30,092	30,386
25,288	27,587	Net Carrying Amount	25,288	27,587
Infrastructure Systems - Fair Value				
31,259	22,962	Gross Carrying Amount	31,259	22,962
12,575	10,808	Less: Accumulated Depreciation and Impairment	12,575	10,808
18,684	12,154	Net Carrying Amount	18,684	12,154
Leasehold Improvements - Fair Value*				
601	----	Gross Carrying Amount	601	----
33	----	Less: Accumulated Depreciation and Impairment	33	----
568	----	Net Carrying Amount	568	----
470,476	434,555	Total Property, Plant and Equipment At Net Carrying Amount	470,476	434,555

* 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.

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	22,698	372,116	27,587	12,154	----	434,555
Additions	----	16,406	2,635	----	301	19,342
Disposals	----	(176)	(721)	(27)	----	(924)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	927	35,641	3	1,275	----	37,846
Depreciation Expense	----	(14,300)	(5,358)	(652)	(33)	(20,343)
Reclassifications	----	(7,376)	1,142	5,934	300	-----
Net carrying amount at end of year	23,625	402,311	25,288	18,684	568	470,476
2016						
Net carrying amount at start of year	20,589	366,665	23,485	9,488	----	420,227
Additions	----	24,244	8,719	31	----	32,994
Disposals	----	----	(749)	----	----	(749)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	685	----	----	685
Depreciation Expense	----	(13,064)	(5,001)	(537)	----	(18,602)
Reclassifications	2,109	(5,729)	448	3,172	----	-----
Net carrying amount at end of year	22,698	372,116	27,587	12,154	-----	434,555

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 District [see note 1(k)].

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

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	----	4,570	399,364	403,934
- Infrastructure Systems	----	----	18,684	18,684
	<u>----</u>	<u>4,570</u>	<u>418,048</u>	<u>422,618</u>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to note 20.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (note 20)				
- Land and Buildings	----	4,073	383,680	387,753
- Infrastructure Systems	----	----	12,154	12,154
	<u>----</u>	<u>4,073</u>	<u>395,834</u>	<u>399,907</u>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to note 20.

PARENT & CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. A revaluation was performed by Corporeal Pty Ltd for the 16/17 financial year. Corporeal Pty Ltd is an independent entity and is not an associated entity of the District.

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

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

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

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

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

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

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

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

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	383,680	12,154	395,834
Additions	(5,898)	5,934	36
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	35,842	1,275	37,117
Transfers from Level 2	1,931	----	1,931
Transfers to Level 2	(1,848)	----	(1,848)
Disposals	(176)	(27)	(203)
Depreciation	(14,167)	(652)	(14,819)
Fair value as at 30 June 2017	399,364	18,684	418,048

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

Transfers to Level 2 mainly relate to reclassifications identified by the valuer during the asset revaluation.

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	321,794	9,488	331,282
Additions	30	31	61
Transfers from Level 2	74,798	3,172	77,970
Depreciation	(12,942)	(537)	(13,479)
Fair value as at 30 June 2016	383,680	12,154	395,834

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

Mid North Coast Local Health District
Notes to and forming part of the Financial Statements
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**2017
\$000**

**2016
\$000**

**2017
\$000**

**2016
\$000**

22. Restricted Assets

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

Category

9,448	8,910	Purchase of Assets	9,448	8,910
9,825	8,537	Health Promotion Education & Research	9,825	8,537
2,308	1,884	Other	2,308	1,884
<hr/> 21,581 <hr/>	<hr/> 19,331 <hr/>		<hr/> 21,581 <hr/>	<hr/> 19,331 <hr/>

Mid North Coast 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	9,727	7,911
----	----	Taxation and Payroll Deductions	1,237	1,029
10,964	8,940	Accrued Liability - Purchase of Personnel Services	----	----
13,167	15,733	Creditors	13,167	15,733
		Other Creditors		
1,379	439	- Capital Works	1,379	439
4,644	3,862	- Payables to entities controlled by the immediate parent	4,644	3,862
6,900	13,858	- Other	6,900	13,858
37,054	42,832		37,054	42,832

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

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

The majority of 'other creditors - capital works' relate to balances payable to the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 33.

24. Borrowings

		Current		
16	8	Other Loans and Deposits	16	8
16	8		16	8
		Non-Current		
24	47	Other Loans and Deposits	24	47
24	47		24	47

The majority of 'Other Loans and Deposits' relate to loan to be repaid to the ultimate parent.

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

The final repayment of the above loan is scheduled for 31 December 2019

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in note 33.

Mid North Coast Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
25. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	32,424	31,613
----	----	Annual Leave - Long Term Benefit	10,984	9,376
----	----	Long Service Leave Consequential On-Costs	5,964	5,903
49,372	46,892	Provision for Personnel Services Liability	----	----
525	----	Other	525	----
<u>49,897</u>	<u>46,892</u>		<u>49,897</u>	<u>46,892</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	519	513
519	513	Provision for Personnel Services Liability	----	----
<u>519</u>	<u>513</u>		<u>519</u>	<u>513</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	49,372	46,892
----	----	Provisions - Non-Current	519	513
----	----	Accrued Salaries, Wages and On-Costs (note 23)	10,964	8,940
60,855	56,345	Liability - Purchase of Personnel Services	----	----
<u>60,855</u>	<u>56,345</u>		<u>60,855</u>	<u>56,345</u>
26. Other Liabilities				
Current				
76	----	Income in Advance	76	----
<u>76</u>	<u>----</u>		<u>76</u>	<u>----</u>

Mid North Coast 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
27. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment and infrastructure systems, contracted for at balance date and not provided for:				
1,625	8,349	Not later than one year	1,625	8,349
3,385	----	Later than one year and not later than five years	3,385	----
----	----	Later than five years	----	----
<u>5,010</u>	<u>8,349</u>	Total Capital Expenditure Commitments (Including GST)	<u>5,010</u>	<u>8,349</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:				
2,730	2,185	Not later than one year	2,730	2,185
2,839	3,908	Later than one year and not later than five years	2,839	3,908
237	219	Later than five years	237	219
<u>5,806</u>	<u>6,312</u>	Total Operating Lease Commitments (Including GST)	<u>5,806</u>	<u>6,312</u>

The operating lease commitments above are for motor vehicles, residential and commercial properties, medical equipment and other equipment.

- c) Contingent Asset Related to Commitments for Expenditure**
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$10.816 million as at 30 June 2017 includes input tax credits of \$1.082 million that are expected to be recoverable from the Australian Taxation Office (2016 \$1.33 million).

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PARENT & CONSOLIDATION

28. Trust Funds

The District holds trust funds of \$1.4 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 District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	2	2	221	178	992	1,016	1,215	1,196
Revenue	-----	-----	543	233	26,098	10,622	26,641	10,855
Expenses	-----	-----	(404)	(190)	(26,099)	(10,646)	(26,503)	(10,836)
Balance at the end of the financial year	2	2	360	221	991	992	1,353	1,215

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
29. Reconciliation of Cash Flows from Operating Activities to Net Result				
18,815	28,460	Net Cash Flows from Operating Activities	18,815	28,460
(20,343)	(18,602)	Depreciation and Amortisation	(20,343)	(18,602)
(187)	(55)	Allowance for Impairment	(187)	(55)
(76)	----	(Increase)/ Decrease Income in Advance	(76)	----
(3,011)	(2,992)	(Increase)/ Decrease in Provisions	(3,011)	(2,992)
(2,520)	6,852	Increase / (Decrease) in Prepayments and Other Assets	(2,520)	6,852
5,848	(5,025)	(Increase)/ Decrease in Payables from Operating Activities	5,848	(5,025)
(754)	(612)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(754)	(612)
(2,228)	8,026	Net Result	(2,228)	8,026

30. 2016/17 Voluntary Services

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

- Chaplaincies and Pastoral Care
- Pink Ladies/Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Patient & Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Health Education, Transport, Home Help & Patient Activities

31. Unclaimed Monies

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

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

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

PARENT AND CONSOLIDATION

32. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$0.24 million, primarily due to:

Budget overruns in expenditure as a result of the actuarial revaluation and wage inflation applied to the annual leave provision as well as payments to VMOs, offset by lower than anticipated depreciation expenditure. These expense overruns are partially offset by lower than anticipated NSW Ministry of Health capital allocations.

Assets and Liabilities

Current Assets were lower than adjusted budget by \$2.5 million, this is mainly due to the TMF Hindsight refund being received in the year.

Non-Current Assets were higher than adjusted budget by \$36.2 million, primarily due to the unbudgeted revaluation, of land and buildings, of \$37.8 million.

Current Liabilities were lower than adjusted budget by \$4.1 million, primarily due to lower payables of \$6.5 million due to the timing of payments; offset by higher than budgeted provisions due to the increase in provisions for wage increases and actuarial adjustments not being adequately budgeted.

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

	\$000
Initial Allocation, as per Service Agreement, 1st July 2016	476,695
Aboriginal Health	253
Community Health	935
Dental Health	700
Education & Training	1,518
Information Technology	248
IPTAAS	851
Mental Health	325
Nursing & Midwifery	309
Organ & Tissue Donation	305
Public Health	82
Voluntary Redundancies	85
Locally Funded Initiatives	4,314
Drug & Alcohol	137
Prior Year Revenue Washups - Department of Veterans Affairs	141
Prior Year Revenue Washups - Regional Assessment Services	158
Workplace Culture & Safety	160
Other	379
Balance as per Statement of Comprehensive Income	487,595

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

33. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2017 \$000	2016 \$000
Cash and Cash Equivalents (note 16)	N/A	16,746	20,118
Receivables (note 17)*	Loans and receivables (at amortised cost)	12,598	14,557
Financial Assets at Fair Value (note 19)	At fair value through profit or loss (designated as such upon initial recognition)	6,000	3,000
		35,344	37,675
Financial Liabilities			
Borrowings (note 24)	Financial liabilities measured at amortised cost	40	55
Payables (note 23)**		35,817	41,803
		35,857	41,858

Notes

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

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

(b) Credit Risk

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

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

Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. 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 2.37% in 2016/17 compared to 2.81% in the previous year.

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33. Financial Instruments

Receivables - trade debtors

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$8.231M ; 2016: \$8.201M) and not more than 3 months past due (2017: \$0.687M ; 2016: \$0.23M) are not considered impaired.

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

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2017	\$000	\$000	\$000
<3 months overdue	687	566	121
3 months - 6 months overdue	200	89	111
> 6 months overdue	929	39	890
2016			
<3 months overdue	230	77	153
3 months - 6 months overdue	243	-----	243
> 6 months overdue	876	206	670

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB7 Financial Instruments Disclosures and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity Risk

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

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

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

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

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

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

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

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33. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

		Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
- Creditors		35,817	----	----	35,817	35,817	----	----
Borrowings:								
- Loans and Deposits		40	----	----	----	16	24	----
		<u>35,857</u>	<u>----</u>	<u>----</u>	<u>35,817</u>	<u>35,833</u>	<u>24</u>	<u>----</u>
	2016							
Payables:								
- Creditors		41,803	----	----	41,803	41,803	----	----
Borrowings:								
- Loans and Deposits		55	55	----	----	8	47	----
		<u>41,858</u>	<u>55</u>	<u>----</u>	<u>41,803</u>	<u>41,811</u>	<u>47</u>	<u>----</u>

Notes:

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

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33. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The District's exposures to market risk are primarily through interest rate risk on the District's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The District has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2017					
Financial Assets					
Cash and Cash Equivalents	16,746	(167)	(167)	167	167
Receivables	12,598	----	----	----	----
Financial Assets at Fair Value	6,000	(60)	(60)	60	60
Financial Liabilities					
Payables	35,817	----	----	----	----
2016					
Financial Assets					
Cash and Cash Equivalents	20,118	(201)	(201)	201	201
Receivables	14,557	----	----	----	----
Financial Assets at Fair Value	3,000	(30)	(30)	30	30
Financial Liabilities					
Payables	41,803	----	----	----	----

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34 Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel include the Chief Executive and Members of the Governing Board.

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	751
Post-employment benefits	42
	<u>793</u>

These employee benefits include fees paid to Board Members including to those who provide services to the District in their capacity as Visiting Medical Officers. There were 13 Board Members who acted during the financial year of which 11 are currently sitting.

During the financial year, Mid North Coast Local Health District obtained key management personnel services from the immediate parent and incurred \$0.37 million for these services. (This is not included in the table above.)

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:

Other than as related to above, there were no transactions with key management personnel and their close family members during the financial year.

Transactions with the ultimate parent:

Apart from transactions disclosed in notes 4, 10, 23 and 24, there were no other transactions with the ultimate parent during the financial year.

35 Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS