

**Nepean
Blue Mountains
Local Health District**

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Nepean Blue Mountains Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Nepean Blue Mountains 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

Without modification to the audit opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(af). 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 determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Renee Meimaroglou
Director, Financial Audit Services

11 September 2017
SYDNEY

**Nepean Blue Mountains 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 Nepean Blue Mountains 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 Nepean Blue Mountains Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Kay Hyman
Chief Executive
8 September 2017



Rebecca Beech
Acting Director, Finance
8 September 2017

**Nepean Blue Mountains 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 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
ASSETS						
Current Assets						
44,208	39,543	41,982		44,208	39,543	41,982
22,009	22,597	22,983	17	22,009	22,597	22,983
5,324	4,342	4,364	18	5,324	4,342	4,364
71,541	66,482	69,329	19	71,541	66,482	69,329
Total Current Assets						
Non-Current Assets						
464,710	474,148	481,094		464,710	474,148	481,094
29,901	23,879	27,406	20	29,901	23,879	27,406
3,887	2,229	2,228	20	3,887	2,229	2,228
498,498	500,256	510,728	20	498,498	500,256	510,728
576	194	193	21	576	194	193
499,074	500,450	510,921		499,074	500,450	510,921
570,615	566,932	580,250		570,615	566,932	580,250
Total Assets						
LIABILITIES						
Current Liabilities						
55,664	51,673	51,374		55,664	51,673	51,374
604	258	897	24	604	258	897
66,809	60,352	61,842	25	66,809	60,352	61,842
271	202	202	26	271	202	202
123,348	112,485	114,315	27	123,348	112,485	114,315
Total Current Liabilities						
Non-Current Liabilities						
177	122	761		177	122	761
768	768	754	25	768	768	754
945	890	1,515	26	945	890	1,515
124,293	113,375	115,830		124,293	113,375	115,830
446,322	453,557	464,420		446,322	453,557	464,420
Total Liabilities						
Net Assets						
EQUITY						
30,374	30,887	30,885		30,374	30,887	30,885
415,948	422,670	433,535		415,948	422,670	433,535
446,322	453,557	464,420		446,322	453,557	464,420
Total Equity						

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		433,535	30,885	464,420
Total Equity at 1 July 2016		433,535	30,885	464,420
Net Result for the year		(18,098)	----	(18,098)
Other Comprehensive Income:				
Transfers on Disposal		511	(511)	----
Total Other Comprehensive Income		511	(511)	----
Total Comprehensive Income for the year		(17,587)	(511)	(18,098)
Transactions With Owners In Their Capacity As Owners				
Balance at 30 June 2017		415,948	30,374	446,322
Balance at 1 July 2015		438,532	30,864	469,396
Total Equity at 1 July 2015		438,532	30,864	469,396
Net Result for the year		(4,976)	----	(4,976)
Other Comprehensive Income:				
Transfers on Disposal		(21)	21	----
Total Other Comprehensive Income		(21)	21	----
Total Comprehensive Income for the year		(4,997)	21	(4,976)
Transactions With Owners In Their Capacity As Owners				
Balance at 30 June 2016		433,535	30,885	464,420

The accompanying notes form part of these financial statements.

Nepean Blue Mountains 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						
				(453,132)	(451,918)	(421,500)
(3,652)	(3,719)	(7,283)	Employee Related	(3,652)	(3,719)	(7,283)
(44)	(44)	(110)	Grants and Subsidies	(44)	(44)	(110)
(771,151)	(766,121)	(703,036)	Finance Costs	(318,019)	(314,203)	(281,536)
			Other			
(774,847)	(769,884)	(710,429)	Total Payments	(774,847)	(769,884)	(710,429)
Receipts						
638,264	627,264	597,879	NSW Ministry of Health Recurrent Allocations	638,264	627,264	597,879
9,897	9,781	4,015	NSW Ministry of Health Capital Allocations	9,897	9,781	4,015
7,082	7,082	6,416	Reimbursements from the Crown Entity	7,082	7,082	6,416
89,948	101,983	77,290	Sale of Goods and Services	89,948	101,983	77,290
965	968	954	Interest Received	965	968	954
7,781	7,669	10,973	Grants and Contributions	7,781	7,669	10,973
36,661	28,336	30,428	Other	36,661	28,336	30,428
790,598	783,083	727,955	Total Receipts	790,598	783,083	727,955
15,751	13,199	17,526	NET CASH FLOWS FROM OPERATING ACTIVITIES	15,751	13,199	17,526
CASH FLOWS FROM INVESTING ACTIVITIES						
656	---	4	Proceeds from Sale of Property, Plant & Equipment and Intangibles	656	---	4
(13,302)	(14,359)	(7,941)	Purchases of Property, Plant & Equipment and Intangibles	(13,302)	(14,359)	(7,941)
(12,646)	(14,359)	(7,937)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(12,646)	(14,359)	(7,937)
CASH FLOWS FROM FINANCING ACTIVITIES						
(879)	(1,279)	(3,022)	Repayment of Borrowings and Advances	(879)	(1,279)	(3,022)
(879)	(1,279)	(3,022)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(879)	(1,279)	(3,022)
2,226	(2,439)	6,567	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,226	(2,439)	6,567
41,982	41,982	35,415	Opening Cash and Cash Equivalents	41,982	41,982	35,415
44,208	39,543	41,982	CLOSING CASH AND CASH EQUIVALENTS	44,208	39,543	41,982

The accompanying notes form part of these financial statements.

Nepean Blue Mountains 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

Nepean Blue Mountains Local Health District (NBMLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

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

* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 23), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.

* Nepean Blue Mountains Local Health District Special Purpose Service Entity which was established as a Division of the NBMLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable NBMLHD 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.

NBMLHD 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 8 September 2017.

b) Basis of Preparation

NBMLHD'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(af).

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

The Secretary of Health, the Chair of Nepean Blue Mountains 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 NBMLHD'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 NBMLHD 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.

* NBMLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.

* NBMLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by NBMLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Nepean Blue Mountains 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

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.

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%). NBMLHD has assessed the actuarial advice based on the NBMLHD'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

NBMLHD'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.

NBMLHD 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 NBMLHD as shown in Note 26.

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.

Nepean Blue Mountains 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

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 NBMLHD 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

NBMLHD'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.

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 NBMLHD 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. NBMLHD 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 NBMLHD 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.

Nepean Blue Mountains 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

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 NBMLHD 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 NBMLHD use in the advancement of NBMLHD or individuals within it.

Refer to Note 9(b) for further details.

Use of Outside Facilities

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

NSW Ministry of Health Allocations

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

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

General operating expenses/revenues of Hawkesbury District Health Service (operated by St John of God) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. NBMLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisation and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

- * amount of GST incurred by NBMLHD 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.

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

1. Summary of Significant Accounting Policies

k) 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 NBMLHD are deemed to be controlled by NBMLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

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 NBMLHD. 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%
Intangibles	10%

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

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

Nepean Blue Mountains 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

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(q).

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 22 for further information regarding fair value.

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

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

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

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

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

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

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.

Nepean Blue Mountains 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

q) 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.

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

r) Intangible Assets

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

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

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

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

Computer software developed or acquired by NBMLHD are recognised as intangible assets and are amortised over ten years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the parent.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

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.

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

1. Summary of Significant Accounting Policies

v) Loans and Receivables

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

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

w) Investments

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

* NBMLHD 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.

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 NBMLHD 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.

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 NBMLHD transfers the financial asset:

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

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

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

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

1. Summary of Significant Accounting Policies

z) Payables

These amounts represent liabilities for goods and services provided to NBMLHD 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 NBMLHD.

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 NBMLHD'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, NBMLHD 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).

NBMLHD 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 22 and Note 35 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, NBMLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, NBMLHD does not recognise that asset.

Nepean Blue Mountains 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 NBMLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

ae) Trust Funds

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

As NBMLHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of NBMLHD'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). NBMLHD'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, NBMLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between NBMLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

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

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.

Nepean Blue Mountains 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

(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.

Nepean Blue Mountains 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)	412,553	377,613
----	----	Superannuation - Defined Benefit Plans	3,295	3,467
----	----	Superannuation - Defined Contribution Plans	36,067	33,523
----	----	Long Service Leave	9,229	21,418
----	----	Redundancies	186	238
----	----	Workers' Compensation Insurance	3,777	3,907
----	----	Fringe Benefits Tax	22	10
----	----		465,129	440,176
		3. Personnel Services		
412,553	377,613	Salaries and Wages	----	----
(19)	----	Superannuation - Defined Benefit Plans	----	----
36,067	33,523	Superannuation - Defined Contribution Plans	----	----
174	1,250	Long Service Leave	----	----
186	238	Redundancies	----	----
3,777	3,907	Workers' Compensation Insurance	----	----
22	10	Fringe Benefits Tax	----	----
452,760	416,541		----	----
		Personnel services of Nepean Blue Mountains Local Health District was provided by its controlled entity, Nepean Blue Mountains Local Health District Special Purpose Service Entity.		
		4. Other Operating Expenses		
153	59	Advertising	153	59
214	185	Auditor's Remuneration - Audit of Financial Statements	214	185
3,761	4,289	Blood and Blood Products	3,761	4,289
560	273	Consultancies	560	273
211	30	Contractors	211	30
7,225	6,208	Domestic Supplies and Services	7,225	6,208
43,227	26,885	Drug Supplies	43,227	26,885
11,941	10,560	Food Supplies	11,941	10,560
3,473	3,299	Fuel, Light and Power	3,473	3,299
3,726	4,375	Hospital Ambulance Transport Costs	3,726	4,375
12,827	10,783	Information Management Expenses	12,827	10,783
613	754	Insurance	613	754
13,664	11,942	Maintenance (See 4(b) below)	13,664	11,942
40,645	39,220	Medical and Surgical Supplies	40,645	39,220
910	787	Motor Vehicle Expenses	910	787
1,370	1,202	Postal and Telephone Costs	1,370	1,202
2,235	2,590	Printing and Stationery	2,235	2,590
630	754	Rates and Charges	630	754
1,296	1,124	Rental	1,296	1,124
25,804	23,850	Special Service Departments (Dental, Radiology, Pathology, Allied Health)	25,804	23,850
3,393	2,659	Staff Related Costs	3,393	2,659
2,199	2,003	Travel Related Costs	2,199	2,003
73,995	71,093	Other (See 4(a) below)	73,995	71,093
254,072	224,924		254,072	224,924

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

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
4. Other Operating Expenses				
a) Other Includes:				
56,470	52,986	Contract for Patient Services	56,470	52,986
5,239	5,108	Corporate Support Services	5,239	5,108
278	294	Courier and Freight	278	294
109	103	Isolated Patient Travel and Accommodation Assistance Scheme	109	103
239	405	Legal Services	239	405
141	167	Membership/Professional Fees	141	167
1,283	1,440	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,283	1,440
3,681	2,750	Other Operating Lease Expense - Minimum Lease Payments	3,681	2,750
7	82	Quality Assurance/Accreditation	7	82
638	787	Security Services	638	787
5,910	6,971	Other Miscellaneous	5,910	6,971
73,995	71,093		73,995	71,093
b) Reconciliation of Total Maintenance				
4,757	4,187	Maintenance Contracts	4,757	4,187
5,257	3,842	New/Replacement Equipment under \$10,000	5,257	3,842
3,542	3,887	Repairs Maintenance/Non Contract	3,542	3,887
108	26	Other	108	26
13,664	11,942	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	13,664	11,942
2,493	1,995	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,493	1,995
16,157	13,937		16,157	13,937

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.

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

Some 'Rental' and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
18,210	18,290	Depreciation - Buildings	18,210	18,290
5,764	6,255	Depreciation - Plant and Equipment	5,764	6,255
234	212	Depreciation - Infrastructure Systems	234	212
68	60	Amortisation - Intangible Assets	68	60
<u>24,276</u>	<u>24,817</u>		<u>24,276</u>	<u>24,817</u>
6. Grants and Subsidies				
2,889	2,802	Non-Government Organisations	2,889	2,802
----	13	Grants to Research Organisations	----	13
218	176	Grants paid to entities controlled by the immediate parent	218	176
193	357	Other Grants	193	357
<u>3,300</u>	<u>3,348</u>		<u>3,300</u>	<u>3,348</u>
7. Finance Costs				
----	45	Finance Lease Interest Charges	----	45
44	65	Interest on Loans	44	65
<u>44</u>	<u>110</u>		<u>44</u>	<u>110</u>
8. Payments to Affiliated Health Organisations				
----	3,305	(a) Recurrent Sourced Tresillian Family Care Centre	----	3,305
<u>----</u>	<u>3,305</u>		<u>----</u>	<u>3,305</u>

Nepean Blue Mountains 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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
47	77	Pharmacy Sales	47	77
2,616	4,041	Sale of Prosthesis	2,616	4,041
24	26	Other	24	26
b) Rendering of Services comprise the following:-				
		Patient Fees		
25,591	24,737	- Inpatient Fees	25,591	24,737
778	725	- Nursing Home Fees	778	725
1,184	1,242	- Non Inpatient Fees	1,184	1,242
8,623	10,556	Department of Veterans' Affairs	8,623	10,556
33	2	Staff-Meals and Accommodation	33	2
9,813	8,754	Infrastructure Fees - Monthly Facility Charge	9,813	8,754
2,204	3,280	Infrastructure Fees - Annual Charge	2,204	3,280
-----	2	Cafeteria/Kiosk	-----	2
3,932	3,728	Car Parking	3,932	3,728
1,162	1,105	Child Care Fees	1,162	1,105
262	247	Clinical Services (excluding Clinical Drug Trials)	262	247
-----	14	Commercial Activities	-----	14
87	84	Fees for Medical Records	87	84
2	2	Information Retrieval	2	2
30,708	14,583	Highly Specialised Drugs	30,708	14,583
2,623	2,529	Motor Accident Authority Third Party	2,623	2,529
6	-----	Patient Transport Fees	6	-----
35	66	Private Use of Motor Vehicles	35	66
286	147	Salary Packaging Fee	286	147
-----	155	Hosted Services Provided to entities controlled by immediate parent	-----	155
1,246	1,946	Services Provided to Non NSW Health Organisations	1,246	1,946
-----	18	Shared Corporate Services	-----	18
596	396	Other	596	396
<hr/> 91,858 <hr/>	<hr/> 78,462 <hr/>		<hr/> 91,858 <hr/>	<hr/> 78,462 <hr/>
10. Investment Revenue				
965	954	Interest	965	954
<hr/> 965 <hr/>	<hr/> 954 <hr/>		<hr/> 965 <hr/>	<hr/> 954 <hr/>

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
11. Grants and Contributions				
388	602	Clinical Drug Trials	388	602
3,652	3,840	Commonwealth Government Grants	3,652	3,840
583	783	Industry Contributions/Donations	583	783
817	806	Cancer Institute Grants	817	806
563	458	Grants received from entities controlled by the ultimate parent	563	458
332	1,371	Grants received from entities controlled by the immediate parent	332	1,371
253	245	Research Grants	253	245
577	2,384	Other Grants	577	2,384
<u>7,165</u>	<u>10,489</u>		<u>7,165</u>	<u>10,489</u>

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

All grants received from entities controlled by the ultimate parent included grants from Dept of Ageing and Disability, Dept of Education and Dept of Community Services.

All grants received from entities controlled by the immediate parent related to Health Education and Training Institute.

12. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	3,314	3,467
----	----	Long Service Leave	9,054	20,168
<u>-----</u>	<u>-----</u>		<u>12,368</u>	<u>23,635</u>

13. Other Revenue

Other Revenue comprises the following:-

3	3	Bad Debts Recovered	3	3
264	142	Commissions	264	142
120	124	Conference and Training Fees	120	124
185	----	Discounts received	185	----
363	207	Insurance Refunds	363	207
738	751	Lease and Rental*	738	751
----	1	Sale of Merchandise, Old Wares and Books	----	1
3	2	Sponsorship	3	2
1,856	9,390	Treasury Managed Fund Hindsight Adjustment	1,856	9,390
2,810	1,410	Other	2,810	1,410
<u>6,342</u>	<u>12,030</u>		<u>6,342</u>	<u>12,030</u>

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

Nepean Blue Mountains 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
		14. Gain / (Loss) on Disposal		
1,809	355	Property, Plant and Equipment	1,809	355
(1,701)	(333)	Accumulated Depreciation	(1,701)	(333)
108	22	Written Down Value	108	22
69	4	Proceeds from Disposal	69	4
(39)	(18)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(39)	(18)
473	----	Assets Held for Sale	473	----
294	----	Proceeds from Disposal	294	----
(179)	----	Gain/(Loss) on Disposal of Assets Held for Sale	(179)	----
(218)	(18)	Total Gain/(Loss) on Disposal	(218)	(18)
		15. Other Gains / (Losses)		
(750)	(786)	Impairment of Receivables	(750)	(786)
(750)	(786)		(750)	(786)

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

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	521	(287)	234
Contributions recognised in previous years which were not expended in the current reporting period	37,681	4,256	41,936
Total amount of unexpended contributions as at reporting date	38,202	3,969	42,170

Comment on restricted assets appears in Note 23

Nepean Blue Mountains 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
17. Cash and Cash Equivalents				
<u>44,208</u>	<u>41,982</u>	Cash at Bank and On Hand	<u>44,208</u>	<u>41,982</u>
<u>44,208</u>	<u>41,982</u>		<u>44,208</u>	<u>41,982</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>44,208</u>	<u>41,982</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>44,208</u>	<u>41,982</u>
<u>44,208</u>	<u>41,982</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>44,208</u>	<u>41,982</u>

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

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

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		18. Receivables		
		Current		
7,678	7,933	Sale of Goods and Services	7,678	7,933
6,992	1,665	Intra Health Receivables	6,992	1,665
3,129	3,267	Goods and Services Tax	3,129	3,267
4,571	9,772	Other Debtors	4,571	9,772
<u>22,370</u>	<u>22,637</u>	Sub Total	<u>22,370</u>	<u>22,637</u>
(1,314)	(1,098)	Less Allowance for Impairment	(1,314)	(1,098)
21,056	21,539	Sub Total	21,056	21,539
953	1,444	Prepayments	953	1,444
<u>22,009</u>	<u>22,983</u>		<u>22,009</u>	<u>22,983</u>
<p>Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Ministry of Health and e-Health</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(1,031)	(1,031)	Balance at Commencement of Reporting Period	(1,031)	(1,031)
344	----	Amounts written off during the period	344	----
(404)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(404)	----
<u>(1,090)</u>	<u>(1,031)</u>	Balance at 30 June	<u>(1,090)</u>	<u>(1,031)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(67)	(67)	Balance at Commencement of Reporting Period	(67)	(67)
190	----	Amounts written off during the period	190	----
(346)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(346)	----
<u>(224)</u>	<u>(67)</u>	Balance at 30 June	<u>(224)</u>	<u>(67)</u>
<u>(1,314)</u>	<u>(1,098)</u>		<u>(1,314)</u>	<u>(1,098)</u>
c) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
428	995	Patient Fees - Compensable	428	995
1,595	1,316	Patient Fees - Ineligible	1,595	1,316
3,454	3,025	Patient Fees - Inpatient & Other	3,454	3,025
<u>5,477</u>	<u>5,336</u>		<u>5,477</u>	<u>5,336</u>

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

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

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
19. Inventories				
5,324	6	Drugs	5,324	6
-----	4,358	Other Including Goods in Transit	-----	4,358
<u>5,324</u>	<u>4,364</u>		<u>5,324</u>	<u>4,364</u>

Nepean Blue Mountains 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				
787,427	793,593	Gross Carrying Amount	787,427	793,593
322,717	312,499	Less: Accumulated Depreciation and Impairment	322,717	312,499
464,710	481,094	Net Carrying Amount	464,710	481,094
Plant and Equipment - Fair Value*				
79,233	72,617	Gross Carrying Amount	79,233	72,617
49,332	45,211	Less: Accumulated Depreciation and Impairment	49,332	45,211
29,901	27,406	Net Carrying Amount	29,901	27,406
Infrastructure Systems - Fair Value				
10,582	8,889	Gross Carrying Amount	10,582	8,889
6,695	6,661	Less: Accumulated Depreciation and Impairment	6,695	6,661
3,887	2,228	Net Carrying Amount	3,887	2,228
498,498	510,728	Total Property, Plant and Equipment At Net Carrying Amount	498,498	510,728

* 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.

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

PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2017					
Net carrying amount at start of year	50,315	430,779	27,406	2,228	510,728
Additions	----	6,870	6,140	----	13,010
Reclassifications to Intangibles	----	----	(451)	----	(451)
Recognition of Assets Held for Sale	(300)	(173)	----	----	(473)
Disposals	----	(31)	(77)	----	(108)
Depreciation Expense	----	(18,210)	(5,764)	(234)	(24,208)
Reclassifications	----	(4,540)	2,647	1,893	----
Net carrying amount at end of year	50,015	414,695	29,901	3,887	498,498

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2016					
Net carrying amount at start of year	50,315	446,707	28,252	2,290	527,564
Additions	----	2,485	5,241	----	7,726
Disposals	----	(19)	(3)	----	(22)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	217	----	217
Recognised in Reserves	----	----	----	----	----
Depreciation Expense	----	(18,290)	(6,255)	(212)	(24,757)
Reclassifications	----	(104)	(46)	150	----
Net carrying amount at end of year	50,315	430,779	27,406	2,228	510,728

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

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

Nepean Blue Mountains 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
21. Intangible Assets				
		Intangibles		
886	435	Cost (Gross Carrying Amount)	886	435
310	242	Less Accumulated Amortisation and Impairment	310	242
<u>576</u>	<u>193</u>	Net Carrying Amount	<u>576</u>	<u>193</u>
<u>576</u>	<u>193</u>	Total Intangible Assets at Net Carrying Amount	<u>576</u>	<u>193</u>

PARENT & CONSOLIDATION

21. Intangible Assets - Reconciliation

	Intangibles \$000	Total \$000
2017		
Net carrying amount at start of year	193	193
Reclassifications from Plant & Equipment	451	451
Amortisation (Recognised in Depreciation and Amortisation)	(68)	(68)
Net carrying amount at end of year	576	576

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	253	253
Amortisation (Recognised in Depreciation and Amortisation)	(60)	(60)
Net carrying amount at end of year	193	193

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

PARENT & CONSOLIDATION

22. 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	----	----	460,059	460,059
- Infrastructure Systems	----	----	3,887	3,887
	----	----	463,946	463,946

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 9.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	----	478,757	478,757
- Infrastructure Systems	----	----	2,228	2,228
	----	----	480,985	480,985

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.

b) Valuation Techniques, Inputs and Processes

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

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:

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

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

PARENT & CONSOLIDATION

22. 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	478,757	2,228	480,985
Additions	----	1,893	1,893
Disposals	(504)	----	(504)
Depreciation	(18,210)	(234)	(18,444)
Administrative Restructures - Transfers In/(Out)	----	----	----
OTHER - Disposal cost of demountable at Penrith Public school	16	----	16
Fair value as at 30 June 2017	460,059	3,887	463,946
2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	497,022	2,290	499,312
Additions	148	----	148
Disposals	(19)	----	(19)
Depreciation	(18,290)	(212)	(18,502)
Administrative Restructures - Transfers In/(Out)	----	----	----
OTHER - Reclass	(104)	150	46
Fair value as at 30 June 2016	478,757	2,228	480,985

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.

Nepean Blue Mountains 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

23. Restricted Assets

NBMLHD'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 fund terms.

Category

13,734	14,427	Specific Purposes	13,734	14,427
28,436	27,509	Private Practice Funds	28,436	27,509
<hr/>	<hr/>		<hr/>	<hr/>
42,170	41,936		42,170	41,936

Nepean Blue Mountains 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
		24. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	9,957	8,073
----	----	Taxation and Payroll Deductions	2,497	2,261
12,454	10,334	Accrued Liability - Purchase of Personnel Services	----	----
30,630	30,233	Creditors	30,630	30,233
		Other Creditors		
3,808	4,346	- Payables to entities controlled by the immediate parent	3,808	4,346
8,772	6,461	- Other	8,772	6,461
55,664	51,374		55,664	51,374

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

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

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

25. Borrowings

		Current		
604	657	Other Loans and Deposits	604	657
----	240	Finance Leases [see note 2(t)]	----	240
604	897		604	897
		Non-Current		
177	761	Other Loans and Deposits	177	761
177	761		177	761

Other Loans and Deposits' include all balances due to entities controlled by the immediate parent.

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

Final Repayment of loan is scheduled for 30 June 2019

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

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

Nepean Blue Mountains 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
		25. Borrowings		
		a) Finance Leases		
		Minimum lease payments in relation to finance leases are payable as follows:		
-----	240	Not later than one year	-----	240
-----	240	Minimum Lease Payments	-----	240
-----	240	Present Value of Minimum Lease Payments	-----	240
		The present value of finance lease payments is as follows:		
-----	240	Not later than one year	-----	240
-----	240	Present Value of Minimum Lease Payments Classified as:	-----	240
-----	240	Current (Note 25)	-----	240
-----	240		-----	240

Finance Lease commitments represent the Lease Building payment for Hawkesbury District Health Service (operated by St John of God). The Lease was paid in November 2015 and the final entry was processed in August 2016.

Nepean Blue Mountains 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
26. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	44,601	40,472
----	----	Annual Leave - Long Term Benefit	12,523	12,696
----	----	Long Service Leave Consequential On-Costs	8,835	8,674
65,959	61,842	Provision for Personnel Services Liability	----	----
850	----	Other	850	----
<u>66,809</u>	<u>61,842</u>		<u>66,809</u>	<u>61,842</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	768	754
768	754	Provision for Personnel Services Liability	----	----
<u>768</u>	<u>754</u>		<u>768</u>	<u>754</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	65,959	61,842
----	----	Provisions - Non-Current	768	754
----	----	Accrued Salaries, Wages and On-Costs (Note 24)	12,454	10,334
79,181	72,930	Liability - Purchase of Personnel Services	----	----
<u>79,181</u>	<u>72,930</u>		<u>79,181</u>	<u>72,930</u>
27. Other Liabilities				
Current				
271	202	Income in Advance	271	202
<u>271</u>	<u>202</u>		<u>271</u>	<u>202</u>

Nepean Blue Mountains 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
28. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
18,738	4,920	Not later than one year	18,738	4,920
3,521	7,800	Later than one year and not later than five years	3,521	7,800
653	----	Later than five years	653	----
<u>22,913</u>	<u>12,720</u>	Total Capital Expenditure Commitments (Including GST)	<u>22,913</u>	<u>12,720</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:				
7,796	5,275	Not later than one year	7,796	5,275
27,632	20,027	Later than one year and not later than five years	27,632	20,027
6,666	8,278	Later than five years	6,666	8,278
<u>42,094</u>	<u>33,580</u>	Total Operating Lease Commitments (Including GST)	<u>42,094</u>	<u>33,580</u>

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

c) Contingent Asset Related to Commitments for Expenditure

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$65.01 million as at 30 June 2017 includes input tax credits of \$5.910 mill that are expected to be recoverable from the Australian Taxation Office (2016 \$3.544 mill).

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

PARENT & CONSOLIDATION

29. Trust Funds

NBMLHD holds trust funds of \$12.682 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 NBMLHD 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	333	331	321	150	11,344	11,047	11,998	11,528
Revenue	7	7	2,133	1,485	132,870	105,238	135,010	106,730
Expenses	(4)	(5)	(1,552)	(1,314)	(132,770)	(104,941)	(134,326)	(106,260)
Balance at the end of the financial year	336	333	902	321	11,444	11,344	12,682	11,998

PARENT AND CONSOLIDATED

30. Contingent Liabilities and Assets

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

Nepean Blue Mountains 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
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
15,751	17,526	Net Cash Flows from Operating Activities	15,751	17,526
(24,276)	(24,817)	Depreciation and Amortisation	(24,276)	(24,817)
(750)	(786)	Allowance for Impairment	(750)	(786)
(69)	(165)	(Increase)/ Decrease Income in Advance	(69)	(165)
(4,983)	(2,196)	(Increase)/ Decrease in Provisions	(4,983)	(2,196)
944	6,381	Increase / (Decrease) in Prepayments and Other Assets	944	6,381
(4,497)	(901)	(Increase)/ Decrease in Payables from Operating Activities	(4,497)	(901)
(218)	(18)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(218)	(18)
(18,098)	(4,976)	Net Result	(18,098)	(4,976)

32. 2016/17 Voluntary Services

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

33. 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 NBMLHD 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 NBMLHD.

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.

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

PARENT AND CONSOLIDATION

34. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result exceeded the adjusted budget by \$7.233 mill for which both total expense and total revenue exceeded their respective budgets.

The total revenue position of \$7.617 mill favourable to budget included cash assistance of \$11.000 mill and Patient Fees revenue shortfall of \$4.063 mill.

Employee related expenses, as a result of additional staffing FTE's, along with increased Visiting Medical Officer and Repairs, Maintenance & Renewals costs contributed to a \$14.407 mill total expense deficit to budget.

Assets and Liabilities

The District continues to work with the Ministry on the budgeted Statement of Financial Position movements. The District's 2016/17 forward estimates submission and its subsequent review has resulted in \$1.842 mill additional subsidy.

Cash Flows

The performance against budget reflects the adjustment required to Cash at Bank opening balance in Restricted Assets to align budgets with expectations.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2016 are as follows:

	\$000
Initial Allocation, 1 July 2016	585,202
Other Escalations	14,580
New initiatives (Growth, NWAU initiatives)	17,644
Other Adjustments	125
Transfer of ITS from WSLHD	4,315
2016_17 Additional Activity	751
Other Enhancements	493
2016_17 Integrated Care Demonstrator Program	910
Nurse_Midwife Strategy Reserve	581
Palliative Care Flexible Funding Pool	227
Organ and Tissue Donation Service Funding	425
Hospital in the Home investment	525
NPA on Adult Public Dental Services	650
Workplace Culture and Safety	187
2016_17 NSW Aged Care Assessment Program Funding Allocation	207
Substance Use in Pregnancy Services	272
Assertive Community Management	170
Balance as per Statement of Comprehensive Income	627,264

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

35. Financial Instruments

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

NBMLHD's main risks arising from financial instruments are outlined below, together with NBMLHD'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 NBMLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	44,208	41,982
Receivables (note 18)*	Loans and receivables (at amortised cost)	17,927	18,272
Financial Assets at Fair Value (note)	At fair value through profit or loss (designated as such upon initial recognition)	----	----
Available-for-Sale Financial Assets	At fair value	----	----
Other Financial Assets (note)	Loans and receivables (at amortised cost)	----	----
		<u>62,135</u>	<u>60,254</u>
Financial Liabilities			
Borrowings (note 25)	Financial liabilities measured at amortised cost	781	1,658
Payables (note 24)**	Financial liabilities measured at amortised cost	55,664	51,374
Other Liabilities (note 27)	Financial liabilities measured at amortised cost	----	----
		<u>56,445</u>	<u>53,032</u>

Notes

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

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). In addition Accrued Salaries, Wages and On-Costs have been excluded as not within the scope of AASB7. Prior year comparatives have been restated as a result.

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

35. Financial Instruments

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	44,208	41,982
Receivables (note 18)*	Loans and receivables (at amortised cost)	17,927	18,272
Financial Assets at Fair Value (note)	At fair value through profit or loss (designated as such upon initial recognition)	----	----
Available-for-Sale Financial Assets	At fair value	----	----
Other Financial Assets (note)	Loans and receivables (at amortised cost)	----	----
		62,135	60,254
Financial Liabilities			
Borrowings (note 25)		781	1,658
Payables (note 24)**	Financial liabilities measured at amortised cost	43,210	41,040
Other Liabilities (note 27)		----	----
		43,991	42,698

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). In addition Accrued Salaries, Wages and On-Costs are have been excluded as not within the scope of AASB7. Prior year comparatives have been restated as a result.

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

Credit risk associated with NBMLHD'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 2.38% in 2016/17 compared to 2.81% in the previous year.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that NBMLHD 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.

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

35. Financial Instruments

NBMLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$5.278M ; 2016: \$5.830M) and not more than 3 months past due (2017: \$0.515M ; 2016: \$0.984M) are not considered impaired.

In addition Patient Fees Compensables (eg. workers compensation) 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 NBMLHD'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 (eg. Overseas visitors) represent the majority of financial assets that are past due or impaired.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	661	515	146
3 months - 6 months overdue	598	196	402
> 6 months overdue	1,141	374	766
2016			
<3 months overdue	1,056	984	72
3 months - 6 months overdue	312	6	306
> 6 months overdue	736	15	721

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 NBMLHD will be unable to meet its payment obligations when they fall due. NBMLHD 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.

NBMLHD 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.

NBMLHD 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 NBMLHD 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.

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

35. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure			Maturity Dates	
	Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
	2017	\$000	\$000	\$000	\$000
Payables:					
- Creditors		33,253	----	33,253	----
Borrowings:					
- Loans and Deposits		779	779	603	176
		<u>34,032</u>	<u>779</u>	<u>33,856</u>	<u>176</u>
	2016	\$000	\$000	\$000	\$000
Payables:					
- Creditors		32,967	----	32,967	----
Borrowings:					
- Loans and Deposits		1,419	1,419	657	761
- Finance Leases		240	240	240	----
		<u>34,626</u>	<u>1,659</u>	<u>33,864</u>	<u>761</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 NBMLHD 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.

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

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

35. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. NBMLHD's exposures to market risk are primarily through interest rate risk on NBMLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. NBMLHD 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 NBMLHD 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 NBMLHD's interest bearing liabilities.

However, NBMLHD 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. NBMLHD 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.

NBMLHD'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	44,208	(442)	(442)	442	442
Receivables	17,927	----	----	----	----
Financial Liabilities					
Payables*	43,210	----	----	----	----
Borrowings	781	8	8	(8)	(8)
2016					
Financial Assets					
Cash and Cash Equivalents	41,982	(420)	(420)	420	420
Receivables	18,272	----	----	----	----
Financial Liabilities					
Payables*	41,040	----	----	----	----
Borrowings	1,658	17	17	(17)	(17)

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

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

36. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	771
Post-employment benefits	48
	<u>819</u>

During the financial year, Nepean Blue Mountains Local Health District obtained key management personnel services from the immediate parent and incurred \$ 360,187 for these services.

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

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

Transactions with key management personnel and their close family members

Nil material transactions

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

37. 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