

# **Northern NSW Local Health District**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### Northern NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Northern NSW 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 opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ag). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

## The Chief Executive's Responsibility for the Financial Statements

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

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

## Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](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

30 August 2017  
SYDNEY

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

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

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



Wayne Jones  
**Chief Executive**  
28 August 2017



Northern NSW 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
<b>ASSETS</b>						
<b>Current Assets</b>						
17,053	5,369	11,456		17,053	5,369	11,456
20,190	21,125	21,106	16	20,190	21,125	21,106
1,713	2,179	2,179	17	1,713	2,179	2,179
<u>38,956</u>	<u>28,673</u>	<u>34,741</u>	18	<u>38,956</u>	<u>28,673</u>	<u>34,741</u>
Non-Current Assets Held for Sale						
<b>Total Current Assets</b>						
<b>38,956</b>	<b>28,673</b>	<b>34,741</b>	20	<b>38,956</b>	<b>28,673</b>	<b>34,741</b>
<b>Non-Current Assets</b>						
1	5	5	17	1	5	5
Receivables						
Property, Plant & Equipment						
566,132	566,438	524,096	19	566,132	566,438	524,096
37,743	33,220	31,097	19	37,743	33,220	31,097
22,713	17,796	18,007	19	22,713	17,796	18,007
<u>626,588</u>	<u>617,454</u>	<u>573,200</u>		<u>626,588</u>	<u>617,454</u>	<u>573,200</u>
<b>626,589</b>	<b>617,459</b>	<b>573,205</b>		<b>626,589</b>	<b>617,459</b>	<b>573,205</b>
<b>665,545</b>	<b>646,132</b>	<b>607,946</b>		<b>665,545</b>	<b>646,132</b>	<b>607,946</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
51,107	49,797	48,896	23	51,107	49,797	48,896
648	618	618	24	648	618	618
58,515	57,562	56,906	25	58,515	57,562	56,906
23	9	9	26	23	9	9
<u>110,293</u>	<u>107,986</u>	<u>106,429</u>		<u>110,293</u>	<u>107,986</u>	<u>106,429</u>
<b>Total Current Liabilities</b>						
<b>Non-Current Liabilities</b>						
5,805	5,836	6,453	24	5,805	5,836	6,453
721	721	727	25	721	721	727
94	122	122	26	94	122	122
<u>6,620</u>	<u>6,679</u>	<u>7,302</u>		<u>6,620</u>	<u>6,679</u>	<u>7,302</u>
<b>116,913</b>	<b>114,665</b>	<b>113,731</b>		<b>116,913</b>	<b>114,665</b>	<b>113,731</b>
<b>548,632</b>	<b>531,467</b>	<b>494,215</b>		<b>548,632</b>	<b>531,467</b>	<b>494,215</b>
<b>Net Assets</b>						
<b>EQUITY</b>						
35,219	20,087	20,088		35,219	20,087	20,088
513,413	511,380	474,127		513,413	511,380	474,127
<u>548,632</u>	<u>531,467</u>	<u>494,215</u>		<u>548,632</u>	<u>531,467</u>	<u>494,215</u>
<b>Total Equity</b>						

The accompanying notes form part of these financial statements.

**Northern NSW 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
<b>Balance at 1 July 2016</b>		474,127	20,088	494,215
<b>Total Equity at 1 July 2016</b>		<u>474,127</u>	<u>20,088</u>	<u>494,215</u>
<b>Net Result for the year</b>		39,238	----	39,238
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	19	----	15,179	15,179
Transfers on Disposal		48	(48)	----
<b>Total Other Comprehensive Income</b>		48	15,131	15,179
<b>Total Comprehensive Income for the year</b>		<u>39,286</u>	<u>15,131</u>	<u>54,417</u>
<b>Balance at 30 June 2017</b>		<u><u>513,413</u></u>	<u><u>35,219</u></u>	<u><u>548,632</u></u>
<b>Balance at 1 July 2015</b>		376,483	25,879	402,362
<b>Total Equity at 1 July 2015</b>		<u>376,483</u>	<u>25,879</u>	<u>402,362</u>
<b>Net Result for the year</b>		97,644	----	97,644
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment	19	----	(5,791)	(5,791)
<b>Total Other Comprehensive Income</b>		----	(5,791)	(5,791)
<b>Total Comprehensive Income for the year</b>		<u>97,644</u>	<u>(5,791)</u>	<u>91,853</u>
<b>Balance at 30 June 2016</b>		<u><u>474,127</u></u>	<u><u>20,088</u></u>	<u><u>494,215</u></u>

The accompanying notes form part of these financial statements.

Northern NSW 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
---	---	---				
(5,192)	(5,016)	(5,279)		(442,736)	(445,518)	(418,748)
(188)	(207)	---		(5,192)	(5,016)	(5,279)
(767,024)	(771,179)	(717,374)		(188)	(207)	---
				(324,288)	(325,661)	(298,626)
<u>(772,404)</u>	<u>(776,402)</u>	<u>(722,653)</u>		<u>(772,404)</u>	<u>(776,402)</u>	<u>(722,653)</u>
<b>Receipts</b>						
613,237	613,265	578,379		613,237	613,265	578,379
62,089	64,011	125,361		62,089	64,011	125,361
7,763	7,763	8,226		7,763	7,763	8,226
97,806	97,612	77,019		97,806	97,612	77,019
227	230	266		227	230	266
32,922	29,378	27,206		32,922	29,378	27,206
31,969	31,216	26,806		31,969	31,216	26,806
<u>846,013</u>	<u>843,475</u>	<u>843,263</u>		<u>846,013</u>	<u>843,475</u>	<u>843,263</u>
<b>73,609</b>	<b>67,073</b>	<b>120,610</b>		<b>73,609</b>	<b>67,073</b>	<b>120,610</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
1,361	---	1,782		1,361	---	1,782
(68,755)	(72,543)	(128,304)		(68,755)	(72,543)	(128,304)
<u>(67,394)</u>	<u>(72,543)</u>	<u>(126,522)</u>		<u>(67,394)</u>	<u>(72,543)</u>	<u>(126,522)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
---	---	7,070		---	---	7,070
(618)	(617)	---		(618)	(617)	---
<u>(618)</u>	<u>(617)</u>	<u>7,070</u>		<u>(618)</u>	<u>(617)</u>	<u>7,070</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
5,597	(6,087)	1,158		5,597	(6,087)	1,158
11,456	11,456	10,298		11,456	11,456	10,298
<u>17,053</u>	<u>5,369</u>	<u>11,456</u>		<u>17,053</u>	<u>5,369</u>	<u>11,456</u>

The accompanying notes form part of these financial statements.



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

**1. Summary of Significant Accounting Policies**

**a) The Reporting Entity**

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 15 and 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Northern NSW Local Health District Special Purpose Service Entity which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

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

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 28 August 2017.

**b) Basis of Preparation**

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

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

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

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

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

**1. Summary of Significant Accounting Policies**

**c) Comparative Information**

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

**d) Statement of Compliance**

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

**e) Employee Benefits and Other Provisions**

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

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

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

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

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

**ii) Long Service Leave and Superannuation**

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

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

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

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

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

**iii) Consequential On-Costs**

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

**iv) Other Provisions**

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

**f) Insurance**

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

**g) Finance Costs**

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

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

**1. Summary of Significant Accounting Policies**

**h) Income Recognition**

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

*Sale of Goods*

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

*Rendering of Services*

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

*Patient Fees*

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

*Highly Specialised Drugs*

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

*State Insurance Regulatory Authority (SIRA)*

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

*Department of Veterans' Affairs*

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

*Investment Revenue*

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

Refer to Note 8(b) for further details.

*Use of Outside Facilities*

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

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

*Grants and Contributions*

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

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

**1. Summary of Significant Accounting Policies**

*NSW Ministry of Health Allocations*

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

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

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

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

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

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

**j) Interstate Patient Flows**

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

**k) Acquisition of Assets**

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

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

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

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

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

**l) Capitalisation Thresholds**

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

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

**1. Summary of Significant Accounting Policies**

**m) Depreciation of Property, Plant and Equipment**

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

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

	30 June 2017	30 June 2016
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
<b>Plant and Equipment</b>		
- Computer Equipment	20%	20%
- Electro Medical Equipment		
* Costing less than \$200,000	10%	10%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5%	5%
- Linen	25%	25%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20%	20%
- Office Equipment	10%	10%
- Plant and Machinery	10%	10%

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

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

**n) Revaluation of Non-Current Assets**

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 21 for further information regarding fair value.

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

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

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

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

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

**1. Summary of Significant Accounting Policies**

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

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

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

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

**o) Impairment of Property, Plant and Equipment**

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

**p) Restoration Costs**

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

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

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

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

**r) Investment Properties**

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

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

**s) Intangible Assets**

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

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

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

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

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

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

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

**1. Summary of Significant Accounting Policies**

**t) 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.

**u) 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.

**v) 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.

**w) 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.

**x) Investments**

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

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

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

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

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

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

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

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

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

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

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

**1. Summary of Significant Accounting Policies**

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

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

**y) 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.

**z) De-recognition of Financial Assets and Financial Liabilities**

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

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

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

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

**aa) Payables**

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

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

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

**ab) 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.

**ac) Fair Value Hierarchy**

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

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

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

Refer to Note 21 and Note 34 for further disclosures regarding fair value measurements of financial and non-financial assets.



Northern NSW 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 Transfers**

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

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

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

**ae) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

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

**(iii) Separate Reserves**

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

**af) Trust Funds**

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

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

**ag) Adjusted Budgeted Amounts**

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 33.

Northern NSW 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**

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

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

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

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

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

**(ii) Issued but not yet effective**

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

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

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

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

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

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

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

Northern NSW 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
<b>2. Employee Related</b>				
----	----	Salaries and Wages (including annual leave)	398,027	376,906
----	----	Superannuation - Defined Benefit Plans	4,244	4,671
----	----	Superannuation - Defined Contribution Plans	34,741	32,695
----	----	Long Service Leave	7,106	20,208
----	----	Redundancies	94	----
----	----	Workers' Compensation Insurance	5,441	5,841
----	----	Fringe Benefits Tax	23	20
-----	-----		<b>449,676</b>	<b>440,341</b>
<p>The amounts below are capitalised and do not form part of the above total employee related costs:</p>				
----	----	Employee Related Expenses Capitalised - Land and Buildings	650	1,236
<b>3. Personnel Services</b>				
398,027	376,906	Salaries and Wages	----	----
34,741	32,695	Superannuation - Defined Contribution Plans	----	----
(75)	1,048	Long Service Leave	----	----
94	----	Redundancies	----	----
5,441	5,841	Workers' Compensation Insurance	----	----
23	20	Fringe Benefits Tax	----	----
<b>438,251</b>	<b>416,510</b>		<b>-----</b>	<b>-----</b>
<p>Personnel services of Northern NSW Local Health District was provided by its controlled entity, Northern NSW Local Health District Special Purpose Service Entity.</p> <p>The amounts below are capitalised and do not form part of the above total personnel services:</p>				
650	1,236	Personnel Services Expenses Capitalised - Land and Buildings	----	----

Northern NSW 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
<b>4. Other Operating Expenses</b>				
127	66	Advertising	127	66
154	133	Auditor's Remuneration - Audit of Financial Statements	154	133
3,372	3,514	Blood and Blood Products	3,372	3,514
525	362	Consultancies	525	362
579	68	Contractors	579	68
9,668	9,795	Domestic Supplies and Services	9,668	9,795
46,910	31,242	Drug Supplies	46,910	31,242
14,837	14,778	Food Supplies	14,837	14,778
4,712	3,915	Fuel, Light and Power	4,712	3,915
9,613	10,488	Hospital Ambulance Transport Costs	9,613	10,488
10,272	8,573	Information Management Expenses	10,272	8,573
883	900	Insurance	883	900
18,369	20,076	Maintenance (See 4(b) below)	18,369	20,076
37,135	35,321	Medical and Surgical Supplies	37,135	35,321
1,183	971	Motor Vehicle Expenses	1,183	971
1,605	1,512	Postal and Telephone Costs	1,605	1,512
1,853	1,786	Printing and Stationery	1,853	1,786
962	1,110	Rates and Charges	962	1,110
2,515	2,408	Rental	2,515	2,408
2,479	2,350	Hosted Services Purchased from entities controlled by the immediate parent	2,479	2,350
33,013	30,676	Special Service Departments (Dental, Radiology, Pathology, Allied Health )	33,013	30,676
3,639	3,503	Staff Related Costs	3,639	3,503
2,605	2,207	Travel Related Costs	2,605	2,207
18,649	15,211	Other (See 4(a) below)	18,649	15,211
<b>225,659</b>	<b>200,965</b>		<b>225,659</b>	<b>200,965</b>

Northern NSW 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
<b>4. Other Operating Expenses</b>			
<b>a) Other Includes:</b>			
466	413	466	413
8,585	7,997	8,585	7,997
458	500	458	500
258	----	258	----
108	130	108	130
36	7	36	7
1,628	1,583	1,628	1,583
1,953	1,786	1,953	1,786
201	150	201	150
1,418	1,090	1,418	1,090
3,538	1,555	3,538	1,555
<u>18,649</u>	<u>15,211</u>	<u>18,649</u>	<u>15,211</u>
<b>b) Reconciliation of Total Maintenance</b>			
5,818	5,286	5,818	5,286
8,384	10,553	8,384	10,553
4,166	4,235	4,166	4,235
1	2	1	2
<u>18,369</u>	<u>20,076</u>	<u>18,369</u>	<u>20,076</u>
2,545	2,661	2,545	2,661
<u>20,914</u>	<u>22,737</u>	<u>20,914</u>	<u>22,737</u>

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

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

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

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

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

Some 'Medical and Surgical Supplies' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Northern NSW 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
<b>5. Depreciation and Amortisation</b>				
20,950	18,108	Depreciation - Buildings	20,950	18,108
6,974	5,400	Depreciation - Plant and Equipment	6,974	5,400
873	670	Depreciation - Infrastructure Systems	873	670
<u>28,797</u>	<u>24,178</u>		<u>28,797</u>	<u>24,178</u>
<b>6. Grants and Subsidies</b>				
2,131	2,070	Non-Government Organisations	2,131	2,070
113	41	Grants paid to entities controlled by the immediate parent	113	41
2,535	2,680	Other Grants	2,535	2,680
<u>4,779</u>	<u>4,791</u>		<u>4,779</u>	<u>4,791</u>
<p>The majority of 'Grants paid to entities controlled by the immediate parent' were paid to Health Administration Corporation, an entity controlled by the immediate parent and some paid to Health Education and Training Institute.</p>				
<b>7. Finance Costs</b>				
188	----	Interest on Loans	188	----
<u>188</u>	<u>----</u>		<u>188</u>	<u>----</u>

Northern NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>8. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
126	165	Pharmacy Sales	126	165
1,387	1,549	Sale of Prosthesis	1,387	1,549
71	66	Other	71	66
b) Rendering of Services comprise the following:-				
		Patient Fees		
24,355	24,224	- Inpatient Fees	24,355	24,224
1,280	1,233	- Nursing Home Fees	1,280	1,233
1,796	2,121	- Non Inpatient Fees	1,796	2,121
13,696	12,179	Department of Veterans' Affairs	13,696	12,179
135	129	Staff-Meals and Accommodation	135	129
9,435	8,939	Infrastructure Fees - Monthly Facility Charge	9,435	8,939
437	379	Infrastructure Fees - Annual Charge	437	379
23	24	Cafeteria/Kiosk	23	24
400	1	Car Parking	400	1
564	747	Clinical Services (excluding Clinical Drug Trials)	564	747
38	13	Commercial Activities	38	13
1	1	Enteral Nutrition	1	1
66	70	Fees for Medical Records	66	70
2	6	Information Retrieval	2	6
35,259	18,966	Highly Specialised Drugs	35,259	18,966
5,292	5,543	Motor Accident Authority Third Party	5,292	5,543
20	25	Patient Transport Fees	20	25
37	65	Private Use of Motor Vehicles	37	65
201	199	Salary Packaging Fee	201	199
1,891	1,890	Hosted Services Provided to entities controlled by immediate parent	1,891	1,890
85	121	Services Provided to Non NSW Health Organisations	85	121
----	7	Shared Corporate Services	----	7
322	363	Other	322	363
<b>96,919</b>	<b>79,025</b>		<b>96,919</b>	<b>79,025</b>
Some of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.				
<b>9. Investment Revenue</b>				
227	266	Interest	227	266
<b>227</b>	<b>266</b>		<b>227</b>	<b>266</b>

Northern NSW 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
<b>10. Grants and Contributions</b>				
392	495	Clinical Drug Trials	392	495
7,643	7,421	Commonwealth Government Grants	7,643	7,421
2,585	1,714	Industry Contributions/Donations	2,585	1,714
5,665	5,435	Cancer Institute Grants	5,665	5,435
7,622	1,743	Grants received from entities controlled by the ultimate parent	7,622	1,743
1,692	3,963	Grants received from entities controlled by the immediate parent	1,692	3,963
18	1	Research Grants	18	1
5,978	4,797	Other Grants	5,978	4,797
<b>31,595</b>	<b>25,569</b>		<b>31,595</b>	<b>25,569</b>

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

The majority of the grants that were received from entities controlled by the ultimate parent were received from Crown Finance Entity (Restart Grants).

Some of the grants that were received from entities controlled by the immediate parent were received from Health Administration Corporation, an entity controlled by the immediate parent and Western Sydney Local Health District.

**11. Acceptance by the Crown Entity of Employee Benefits**

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

----	----	Superannuation-defined benefit	4,244	4,671
----	----	Long Service Leave	7,181	19,160
<b>----</b>	<b>----</b>		<b>11,425</b>	<b>23,831</b>

**12. Other Revenue**

Other Revenue comprises the following:-

----	1	Bad Debts Recovered	----	1
45	19	Commissions	45	19
3	9	Conference and Training Fees	3	9
----	199	Discounts received	----	199
1,370	466	Insurance Refunds	1,370	466
328	212	Lease and Rental	328	212
3	8	Sale of Merchandise, Old Wares and Books	3	8
2,598	3,936	Treasury Managed Fund Hindsight Adjustment	2,598	3,936
598	171	Other	598	171
<b>4,945</b>	<b>5,021</b>		<b>4,945</b>	<b>5,021</b>



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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>13. Gain / (Loss) on Disposal</b>				
4,004	3,367	Property, Plant and Equipment	4,004	3,367
<u>(2,491)</u>	<u>(1,506)</u>	Accumulated Depreciation	<u>(2,491)</u>	<u>(1,506)</u>
<b>1,513</b>	<b>1,861</b>	<b>Written Down Value</b>	<b>1,513</b>	<b>1,861</b>
288	1,783	Proceeds from Disposal	288	1,783
<u>(1,225)</u>	<u>(78)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(1,225)</u>	<u>(78)</u>
692	----	Assets Held for Sale	692	----
<u>1,073</u>	<u>----</u>	Proceeds from Disposal	<u>1,073</u>	<u>----</u>
<b>381</b>	<b>----</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>381</b>	<b>----</b>
<u>(844)</u>	<u>(78)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(844)</u>	<u>(78)</u>
<b>14. Other Gains / (Losses)</b>				
(642)	(314)	Impairment of Receivables	(642)	(314)
<u>(642)</u>	<u>(314)</u>		<u>(642)</u>	<u>(314)</u>

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**PARENT & CONSOLIDATION**

**15. Conditions on Contributions**

	<b>Purchase of Assets</b>	<b>Health Promotion, Education and Research</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	1,821	656	1,140	3,617
Contributions recognised in previous years which were not expended in the current reporting period	3,463	2,185	900	6,548
Total amount of unexpended contributions as at reporting date	5,284	2,841	2,040	10,165

Comment on restricted assets appears in Note 22

Northern NSW Local Health District  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>16. Cash and Cash Equivalents</b>				
<u>17,053</u>	<u>11,456</u>	Cash at Bank and On Hand	<u>17,053</u>	<u>11,456</u>
<u><b>17,053</b></u>	<u><b>11,456</b></u>		<u><b>17,053</b></u>	<u><b>11,456</b></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 &amp; 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>17,053</u>	<u>11,456</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>17,053</u>	<u>11,456</u>
<u><b>17,053</b></u>	<u><b>11,456</b></u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>17,053</b></u>	<u><b>11,456</b></u>

*Refer to Note 34 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>17. Receivables</b>				
<b>Current</b>				
6,968	6,227	Sale of Goods and Services	6,968	6,227
6,817	4,781	Intra Health Receivables	6,817	4,781
3,962	4,026	Goods and Services Tax	3,962	4,026
1,357	5,151	Other Debtors	1,357	5,151
<u>19,104</u>	<u>20,185</u>	<b>Sub Total</b>	<u>19,104</u>	<u>20,185</u>
(383)	(601)	Less Allowance for Impairment	(383)	(601)
18,721	19,584	<b>Sub Total</b>	18,721	19,584
1,469	1,522	Prepayments	1,469	1,522
<u>20,190</u>	<u>21,106</u>		<u>20,190</u>	<u>21,106</u>
<p>Some 'Intra Health Receivables' include amounts receivable from the Health Administration Corporation, an entity controlled by the immediate parent and balances receivable from the immediate parent.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(398)	(423)	Balance at Commencement of Reporting Period	(398)	(423)
779	383	Amounts written off during the period	779	383
(686)	(358)	(Increase)/decrease in Allowance Recognised in the Net Result	(686)	(358)
<u>(305)</u>	<u>(398)</u>	Balance at 30 June 2017	<u>(305)</u>	<u>(398)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(203)	(261)	Balance at Commencement of Reporting Period	(203)	(261)
32	5	Amounts written off during the period	32	5
93	53	(Increase)/decrease in Allowance Recognised in the Net Result	93	53
<u>(78)</u>	<u>(203)</u>	Balance at 30 June 2017	<u>(78)</u>	<u>(203)</u>
<u>(383)</u>	<u>(601)</u>		<u>(383)</u>	<u>(601)</u>
<b>Non-Current</b>				
528	484	Sale of Goods and Services	528	484
528	484	<b>Sub Total</b>	528	484
(527)	(479)	Less Allowance for Impairment	(527)	(479)
<u>1</u>	<u>5</u>	<b>Sub Total</b>	<u>1</u>	<u>5</u>
<u>1</u>	<u>5</u>		<u>1</u>	<u>5</u>

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>17. Receivables</b>		
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(479)	(470)	Balance at Commencement of Reporting Period	(479)	(470)
(48)	(9)	(Increase)/decrease in Allowance Recognised in	(48)	(9)
(527)	(479)	the Net Result	(527)	(479)
		Balance at 30 June 2017		
			(527)	(479)
		c) The current and non-current sale of goods and services		
		balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
947	1,196	Patient Fees - Compensable	947	1,196
687	752	Patient Fees - Ineligible	687	752
4,092	3,828	Patient Fees - Inpatient & Other	4,092	3,828
			5,726	5,776
5,726	5,776			

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 34.

Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>18. Inventories</b>		
1,509	1,954	Drugs	1,509	1,954
<u>204</u>	<u>225</u>	Medical and Surgical Supplies	<u>204</u>	<u>225</u>
<u><b>1,713</b></u>	<u><b>2,179</b></u>		<u><b>1,713</b></u>	<u><b>2,179</b></u>

Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>19. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
983,581	913,903	Gross Carrying Amount	983,581	913,903
417,449	389,807	Less: Accumulated Depreciation and Impairment	417,449	389,807
<b>566,132</b>	<b>524,096</b>	Net Carrying Amount	<b>566,132</b>	<b>524,096</b>
<b>Plant and Equipment - Fair Value*</b>				
73,760	62,623	Gross Carrying Amount	73,760	62,623
36,017	31,526	Less: Accumulated Depreciation and Impairment	36,017	31,526
<b>37,743</b>	<b>31,097</b>	Net Carrying Amount	<b>37,743</b>	<b>31,097</b>
<b>Infrastructure Systems - Fair Value</b>				
37,441	32,153	Gross Carrying Amount	37,441	32,153
14,728	14,146	Less: Accumulated Depreciation and Impairment	14,728	14,146
<b>22,713</b>	<b>18,007</b>	Net Carrying Amount	<b>22,713</b>	<b>18,007</b>
<b>626,588</b>	<b>573,200</b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b>626,588</b>	<b>573,200</b>

\* 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.

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**PARENT & CONSOLIDATION**

**19. Property, Plant and Equipment - Reconciliation**

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2017</b>					
Net carrying amount at start of year	50,264	473,832	31,097	18,007	573,200
Additions	----	64,878	3,876	----	68,754
Recognition of Assets Held for Sale	(470)	(222)	----	----	(692)
Disposals	----	(1,057)	(456)	----	(1,513)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	457	----	457
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	3,446	10,965	----	768	15,179
Depreciation Expense	----	(20,950)	(6,974)	(873)	(28,797)
Reclassifications	1,391	(15,945)	9,743	4,811	----
Net carrying amount at end of year	<b>54,631</b>	<b>511,501</b>	<b>37,743</b>	<b>22,713</b>	<b>626,588</b>

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2016</b>					
Net carrying amount at start of year	50,079	390,422	24,596	11,629	476,726
Additions	----	121,529	6,538	122	128,189
Disposals	185	21	(2,067)	----	(1,861)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	115	----	115
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	(5,375)	----	(416)	(5,791)
Depreciation Expense	----	(18,108)	(5,400)	(670)	(24,178)
Reclassifications	----	(14,657)	7,315	7,342	----
Net carrying amount at end of year	<b>50,264</b>	<b>473,832</b>	<b>31,097</b>	<b>18,007</b>	<b>573,200</b>

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

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



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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>20. Non-Current Assets Held for Sale</b>		
		<b>Assets Held for Sale</b>		
----	----	Land and Buildings	----	----
----	----	Infrastructure Systems	----	----
-----	-----		-----	-----
-----	-----		-----	-----

The non-current assets held for sale constitute assets that are surplus to requirements and are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

This asset relates to the Mullumbimby Hospital which is no longer required with the opening of the new Byron Central Hospital. The District is hoping for the sale to be finalised prior to 31 December 2017. This asset is currently recorded at \$1.

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**PARENT & CONSOLIDATION**

**21. Fair Value Measurement of Non-Financial Assets**

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

**a) Fair Value Hierarchy**

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	19,621	385,517	405,138
- Infrastructure Systems	----	----	18,080	18,080
	----	<b>19,621</b>	<b>403,597</b>	<b>423,218</b>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 19.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	21,289	309,849	331,138
- Infrastructure Systems	----	----	10,598	10,598
	----	<b>21,289</b>	<b>320,447</b>	<b>341,736</b>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 19.

**b) Valuation Techniques, Inputs and Processes**

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Liquid Pacific Pty Ltd for the 2016/17 financial year. Liquid Pacific Pty Ltd is an independent entity and is not an associated entity of the District.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 19 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:

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**PARENT & CONSOLIDATION**

**21. 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.

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**PARENT & CONSOLIDATION**

**21. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	309,849	10,598	320,447
Additions	78,253	7,495	85,748
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	14,916	767	15,683
Depreciation	(17,501)	(780)	(18,281)
Fair value as at 30 June 2017	<u>385,517</u>	<u>18,080</u>	<u>403,597</u>

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

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	332,229	11,629	343,858
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(5,375)	(416)	(5,791)
Depreciation	(17,005)	(615)	(17,620)
Fair value as at 30 June 2016	<u>309,849</u>	<u>10,598</u>	<u>320,447</u>

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

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**PARENT**

**CONSOLIDATION**

**2017**  
**\$000**

**2016**  
**\$000**

**2017**  
**\$000**

**2016**  
**\$000**

**22. Restricted Assets**

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

**Category**

5,283	3,897	Purchase of Assets	5,283	3,897
2,842	2,586	Health Promotion, Education & Research	2,842	2,586
2,040	1,629	Other	2,040	1,629
<b>10,165</b>	<b>8,112</b>		<b>10,165</b>	<b>8,112</b>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>23. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	12,194	10,260
----	----	Taxation and Payroll Deductions	2,300	2,119
14,494	12,379	Accrued Liability - Purchase of Personnel Services	----	----
25,345	26,300	Creditors	25,345	26,300
		Other Creditors		
1,205	2,019	- Capital Works	1,205	2,019
4,424	4,696	- Intra Health Payables	4,424	4,696
5,639	3,502	- Other	5,639	3,502
<b>51,107</b>	<b>48,896</b>		<b>51,107</b>	<b>48,896</b>

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 34.

**24. Borrowings**

		<b>Current</b>		
648	618	Other Loans and Deposits	648	618
<b>648</b>	<b>618</b>		<b>648</b>	<b>618</b>
		<b>Non-Current</b>		
5,805	6,453	Other Loans and Deposits	5,805	6,453
<b>5,805</b>	<b>6,453</b>		<b>5,805</b>	<b>6,453</b>

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 2026

Other loans still to be extinguished represent monies to be repaid to NSW Treasury, which is controlled by the ultimate parent. The above loan is in relation to the Energy Efficient Government Program.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 34.

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PARENT		CONSOLIDATION	
2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>25. Provisions</b>			
<b>Current</b>			
----	----	42,288	35,811
----	----	7,410	12,740
----	----	8,286	8,355
58,515	56,906	----	----
----	----	531	----
<b>58,515</b>	<b>56,906</b>	<b>58,515</b>	<b>56,906</b>
<b>Non-Current</b>			
----	----	721	727
721	727	----	----
<b>721</b>	<b>727</b>	<b>721</b>	<b>727</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>			
----	----	58,515	56,906
----	----	721	727
----	----	14,494	12,379
73,730	70,012	----	----
<b>73,730</b>	<b>70,012</b>	<b>73,730</b>	<b>70,012</b>
<b>26. Other Liabilities</b>			
<b>Current</b>			
23	9	23	9
<b>23</b>	<b>9</b>	<b>23</b>	<b>9</b>
<b>Non-Current</b>			
94	122	94	122
<b>94</b>	<b>122</b>	<b>94</b>	<b>122</b>

Other represents transferred employees benefits at fixed transfer dates and contracts entered into to transfer employees of the Health Service to St Vincent's Private Hospital.

The liability above represents employee benefits transferred at the contract date.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>27. Commitments for Expenditure</b>				
<b>a) Capital Commitments</b>				
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:				
12,269	13,379	Not later than one year	12,269	13,379
63,947	4,434	Later than one year and not later than five years	63,947	4,434
<u>76,216</u>	<u>17,813</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>76,216</u>	<u>17,813</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>b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
3,244	3,691	Not later than one year	3,244	3,691
3,372	5,518	Later than one year and not later than five years	3,372	5,518
167	188	Later than five years	167	188
<u>6,783</u>	<u>9,397</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>6,783</u>	<u>9,397</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
<b>c) Contingent Asset Related to Commitments for Expenditure</b>				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$82.999 million as at 30 June 2017 includes input tax credits of \$7.545 million that are expected to be recoverable from the Australian Taxation Office (2016 \$2.471 million).				



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**PARENT & CONSOLIDATION**

**28. Trust Funds**

The District holds trust funds of \$1.7 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	136	89	647	379	371	452	1,154	920
Revenue	864	747	326	268	8,196	8,298	9,386	9,313
Expenses	(842)	(700)	-----	-----	(8,027)	(8,379)	(8,869)	(9,079)
Balance at the end of the financial year	158	136	973	647	540	371	1,671	1,154

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>29. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
73,609	120,610	Net Cash Flows from Operating Activities	73,609	120,610
(28,797)	(24,178)	Depreciation and Amortisation	(28,797)	(24,178)
(642)	(314)	Allowance for Impairment	(642)	(314)
(14)	1	(Increase)/ Decrease Income in Advance	(14)	1
(1,602)	(3,183)	(Increase)/ Decrease in Provisions	(1,602)	(3,183)
(609)	7,008	Increase / (Decrease) in Prepayments and Other Assets	(609)	7,008
(2,320)	(2,222)	(Increase)/ Decrease in Payables from Operating Activities	(2,320)	(2,222)
(844)	(78)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(844)	(78)
457	----	Assets donated or brought to account for the first time	457	----
<b>39,238</b>	<b>97,644</b>	<b>Net Result</b>	<b>39,238</b>	<b>97,644</b>
<b>30. Non-Cash Financing and Investing Activities</b>				
457	----	Assets Received by Donation	457	----
<b>457</b>	<b>----</b>		<b>457</b>	<b>----</b>
<b>31. 2016/17 Voluntary Services</b>				
<p>It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the District. Services provided include:</p> <ul style="list-style-type: none"> <li>- Chaplaincies and Pastoral Care</li> <li>- Pink Ladies/Hospital Auxiliaries</li> <li>- Patient Support Groups</li> <li>- Community Organisations</li> <li>- Patient &amp; Family Support</li> <li>- Patient Services, Fund Raising</li> <li>- Practical Support to Patients and Relatives</li> <li>- Counselling, Health Education, Transport, Home Help &amp; Patient Activities</li> </ul>				
<b>32. Unclaimed Monies</b>				
<p>Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i>.</p> <p>All money and personal effects of patients which are left in the custody of the District by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the District.</p> <p>All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.</p>				

Northern NSW Local Health District  
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**PARENT AND CONSOLIDATION**

**33. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than adjusted budget by \$2 million, primarily due to:

Lower than budgeted Expenses of \$0.9 million, higher than budgeted Revenue of \$2.3 million and higher than budgeted Other Gains/(Losses) of \$1.2 million.

The lower than budget Expenses of \$0.9 million was represented by lower than budgeted Other Operating Expenses \$1.1 million. This is primarily associated with reduced ambulance expenses which reduced over the prior year by \$0.9 million.

The higher than budget Revenue of \$2.3 million was represented by higher than budgeted Grants and Contributions \$3.7 million and lower than budget Capital Allocations \$1.9 million. Grants and Contributions of \$3.7 million is mainly related to Community Donations of \$1.5M, eHealth Grants of \$0.9M and Intra Health Grants of \$1.3 million. The lower than budget Capital Allocations \$1.9 million is mainly due to capital works project delays at Ballina and Murwillumbah resulting in funds not being expended as planned and also not advanced from the Ministry.

**Assets and Liabilities**

Current Assets were \$10.3 million higher than budget. This was due mainly to higher than budget Cash and Cash Equivalents of \$11.7 million and lower than budget Receivables \$1.0 million. The higher than budget Cash relates primarily to higher Restricted Financial Assets of \$2.1 million, General Fund Own Source Revenue \$2.4 million, Expense favourability \$0.7 million, a reduction in Receivables of \$1 million, increase in Payables \$1.3 million and Cash held for Capital works project \$3.2 million (Emergency Departments security, Bangalow asset sale proceeds to be spent on Ballina redevelopment).

Current Liabilities were higher than budget by \$2.3 million. This related to higher than budget Payables \$1.3 million and Provisions \$1.0 million. The Payables increase mainly relates to an additional days accrual for Salaries and Wages and recognition of Rostered Days Off accrual for the first time.

Non current Assets were \$9.1 million higher than budget. This was due to the the revaluation of Land, Buildings and Infrastructure \$15.2 million offset by disposals and lower than planned expenditure on locally managed capital projects.

**Cash Flows**

Operating Activities - Net cash inflows were higher than budget by \$6.5 million. Operating Payments are lower than budget by \$4.0 million and Operating Receipts are higher than budget by \$2.5 million. The Operating Receipts higher than budget was due mainly to Grants and Contributions.

Investing Activities - Net cash outflows were lower than budget by \$5.1 million. This related to lower Purchases of Property, Plant and Equipment \$3.8 million due to delayed capital work projects at Ballina, Murwillumbah, Emergency Duress and Grafton.

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

	<b>\$000</b>
Initial Allocation, <b>21 June 2016</b>	602,130
<b>Special Projects</b>	
National Partnership	1,200
Integrated Care Demonstration Program	2,238
Drug and Alcohol Services including Drug Summit	76
<b>Other</b>	
Equipment Replacement	1,412
Hospital In the Home	589
Improving Workplace Culture	186
Isolated Patient Transport And Assistance Scheme	300
Medical training & reseach positions	1,007
Nursing Enhancements	1,122
Organ and Tissue Donation	305
Other Ehancements	2,344
Planning & Innovation Fund	262
Redundancy	94
Balance as per Statement of Comprehensive Income	<b>613,265</b>

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### 34. Financial Instruments

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

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

The Chief Executive and the Boards of Local Health Districts have responsibility for the establishment and oversight of risk management functions. Risk management controls and policy are to be established in order to identify and analyse the risks faced by the District, to set risk limits and to implement reporting procedures in order to monitor risks. Compliance with policy in this context is reviewed on a continuous basis.

#### (a) Financial Instrument Categories

##### PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 16)	N/A	17,053	11,456
Receivables (note 17)*	Loans and receivables (at amortised cost)	14,760	15,563
		31,813	27,019
<b>Financial Liabilities</b>			
Borrowings (note 24)		6,453	7,071
Payables (note 23)**	Financial liabilities measured at amortised cost	36,613	36,517
Other Liabilities (note 26)		94	122
		43,160	43,710

Notes

\* Excludes statutory receivables and prepayments (i.e. they are not within scope of AASB 7 Financial Instruments Disclosures)

\*\*Excludes statutory payables and unearned revenue (i.e. they are not within scope of AASB 7 Financial Instruments Disclosures). In addition Accrued Salaries, Wages and On-Costs are have been excluded as they are not within the scope of AASB 7. 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 the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2016/17 compared to 2.60% in the previous year.

Northern NSW Local Health District  
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**34. Financial Instruments**

**Receivables - trade debtors**

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$13.851M ; 2016: \$13.821M) and not more than 3 months past due (2017: \$0.926M ; 2016: \$1.512M) are not considered impaired.

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

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

	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<b>2017</b>			
<3 months overdue	1,006	926	80
3 months - 6 months overdue	200	44	156
> 6 months overdue	939	265	674
<b>2016</b>			
<3 months overdue	1,709	1,512	197
3 months - 6 months overdue	253	38	215
> 6 months overdue	860	192	668

**Notes**

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

2 The ageing analysis excludes statutory receivables, as these are they are not within the scope of AASB 7 Financial Instruments Disclosures and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

**(c) Liquidity Risk**

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

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

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

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

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

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

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

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**34. Financial Instruments**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2017</b>							
Payables:							
- Creditors	36,613	----	----	36,613	36,613	----	----
Borrowings:							
- Loans and Deposits	7,247	7,247	----	----	805	3,221	3,221
Other	94	----	----	94	94	----	----
	<u>43,954</u>	<u>7,247</u>	<u>----</u>	<u>36,707</u>	<u>37,512</u>	<u>3,221</u>	<u>3,221</u>
<b>2016</b>							
Payables:							
- Creditors	36,517	----	----	36,517	36,517	----	----
Borrowings:							
- Loans and Deposits	7,071	7,071	----	----	618	2,691	3,762
Other	122	----	----	122	122	----	----
	<u>43,710</u>	<u>7,071</u>	<u>----</u>	<u>36,639</u>	<u>37,257</u>	<u>2,691</u>	<u>3,762</u>

Notes:

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

2 Accrued Salaries Wages, On-Costs and Payroll Deductions have been excluded from payables as they are not within the scope of AASB 7 Financial Instruments: Disclosures. Prior year comparatives have been restated as a result.

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**34. Financial Instruments**

**(d) Market Risk**

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

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

*Interest rate risk*

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	17,053	(171)	(171)	171	171
Receivables	14,760	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	36,613	----	----	----	----
Borrowings	6,453	----	----	----	----
Other	94	----	----	----	----
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	11,456	(115)	(115)	115	115
Receivables	15,563	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	36,517	----	----	----	----
Borrowings **	7,071	----	----	----	----
Other **	122	----	----	----	----

\*Accrued Salaries Wages, On-Costs and Payroll Deductions have been excluded from payables as they are not within the scope of AASB 7 Financial Instruments Disclosures. Prior year comparatives have been restated as a result.

\*\* Comparatives have been amended to reflect that there is no interest rate risk on Borrowings and Other Financial Liabilities.

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**35. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2017</b>
	<b>\$000</b>
Short-term employee benefits	1,331
Post-employment benefits	84
Other long-term benefits	-
Termination benefits	-
	<u>1,415</u>

During the financial year, Northern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$323,000 for these services.

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

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

**Transactions with key management personnel and their close family members**

There were no other transactions with key management personnel and their close family members other than those mentioned above.

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

**36. Events After the Reporting Period**

There have not been any matters arising subsequent to balance date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**