

# **Southern NSW Local Health District**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### Southern NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Southern 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, and the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

#### Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter – Presentation of Budget Information**

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

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

S Bond .

Sally Bond  
Director, Financial Audit Services

5 September 2017  
SYDNEY

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

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

- 1) The financial statements of the Southern 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); and
  - 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 Southern 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.



Julie Mooney  
**Acting Chief Executive**  
4 September 2017



Colin Weeks  
**Director of Finance and Corporate Services**  
4 September 2017



Southern 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	2017	2016			2017	2017	2016		
\$000	\$000	\$000			\$000	\$000	\$000		
<b>ASSETS</b>									
<b>Current Assets</b>									
8,696	3,723	7,266	Cash and Cash Equivalents	15	8,696	3,723	7,266		
7,875	9,410	9,389	Receivables	16	7,875	9,410	9,389		
754	722	722	Inventories	17	754	722	722		
<u>17,325</u>	<u>13,855</u>	<u>17,377</u>			<u>17,325</u>	<u>13,855</u>	<u>17,377</u>		
850	850	850	Non-Current Assets Held for Sale	19	850	850	850		
<u>18,175</u>	<u>14,705</u>	<u>18,227</u>	<b>Total Current Assets</b>		<u>18,175</u>	<u>14,705</u>	<u>18,227</u>		
<b>Non-Current Assets</b>									
253	262	316	Receivables	16	253	262	316		
<b>Property, Plant &amp; Equipment</b>									
316,911	317,820	322,332	- Land and Buildings	18	316,911	317,820	322,332		
26,016	28,414	27,594	- Plant and Equipment	18	26,016	28,414	27,594		
16,080	16,081	16,583	- Infrastructure Systems	18	16,080	16,081	16,583		
<u>359,007</u>	<u>362,315</u>	<u>366,509</u>	Total Property, Plant & Equipment		<u>359,007</u>	<u>362,315</u>	<u>366,509</u>		
<u>359,260</u>	<u>362,577</u>	<u>366,825</u>	<b>Total Non-Current Assets</b>		<u>359,260</u>	<u>362,577</u>	<u>366,825</u>		
<u>377,435</u>	<u>377,282</u>	<u>385,052</u>	<b>Total Assets</b>		<u>377,435</u>	<u>377,282</u>	<u>385,052</u>		
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
22,846	20,994	20,526	Payables	22	22,846	20,994	20,526		
25,287	25,418	25,206	Provisions	23	25,287	25,418	25,206		
146	853	853	Other	24	146	853	853		
<u>48,279</u>	<u>47,265</u>	<u>46,585</u>	<b>Total Current Liabilities</b>		<u>48,279</u>	<u>47,265</u>	<u>46,585</u>		
<b>Non-Current Liabilities</b>									
342	342	355	Provisions	23	342	342	355		
<u>342</u>	<u>342</u>	<u>355</u>	<b>Total Non-Current Liabilities</b>		<u>342</u>	<u>342</u>	<u>355</u>		
<u>48,621</u>	<u>47,607</u>	<u>46,940</u>	<b>Total Liabilities</b>		<u>48,621</u>	<u>47,607</u>	<u>46,940</u>		
<u>328,814</u>	<u>329,675</u>	<u>338,112</u>	<b>Net Assets</b>		<u>328,814</u>	<u>329,675</u>	<u>338,112</u>		
<b>EQUITY</b>									
589	589	589	Reserves		589	589	589		
328,225	329,086	337,523	Accumulated Funds		328,225	329,086	337,523		
<u>328,814</u>	<u>329,675</u>	<u>338,112</u>	<b>Total Equity</b>		<u>328,814</u>	<u>329,675</u>	<u>338,112</u>		

The accompanying notes form part of these financial statements.

Southern 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
Balance at 1 July 2016		337,523	589	338,112
<b>Total Equity at 1 July 2016</b>		<b>337,523</b>	<b>589</b>	<b>338,112</b>
Net Result for the year		(9,298)	-----	(9,298)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	18	-----	-----	-----
<b>Total Other Comprehensive Income</b>		<b>-----</b>	<b>-----</b>	<b>-----</b>
<b>Total Comprehensive Income for the year</b>		<b>(9,298)</b>	<b>-----</b>	<b>(9,298)</b>
<b>Balance at 30 June 2017</b>		<b>328,225</b>	<b>589</b>	<b>328,814</b>
Balance at 1 July 2015		312,127	2,084	314,211
<b>Total Equity at 1 July 2015</b>		<b>312,127</b>	<b>2,084</b>	<b>314,211</b>
Net Result for the year		25,396	-----	25,396
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	18	-----	(1,495)	(1,495)
<b>Total Other Comprehensive Income</b>		<b>-----</b>	<b>(1,495)</b>	<b>(1,495)</b>
<b>Total Comprehensive Income for the year</b>		<b>25,396</b>	<b>(1,495)</b>	<b>23,901</b>
<b>Balance at 30 June 2016</b>		<b>337,523</b>	<b>589</b>	<b>338,112</b>

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016	Notes	2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
-----	-----	-----	Employee Related	(230,869)	(229,519)	(217,471)
(715)	(641)	(668)	Grants and Subsidies	(715)	(641)	(668)
(393,573)	(392,384)	(374,732)	Other	(162,704)	(162,865)	(157,261)
<u>(394,288)</u>	<u>(393,025)</u>	<u>(375,400)</u>	<b>Total Payments</b>	<u>(394,288)</u>	<u>(393,025)</u>	<u>(375,400)</u>
<b>Receipts</b>						
320,108	320,184	287,832	NSW Ministry of Health Recurrent Allocations	320,108	320,184	287,832
8,371	8,206	48,553	NSW Ministry of Health Capital Allocations	8,371	8,206	48,553
4,416	4,417	3,670	Reimbursements from the Crown Entity	4,416	4,417	3,670
47,275	47,590	45,801	Sale of Goods and Services	47,275	47,590	45,801
88	112	110	Interest Received	88	112	110
7,476	6,481	13,745	Grants and Contributions	7,476	6,481	13,745
16,335	14,275	14,685	Other	16,335	14,275	14,685
<u>404,069</u>	<u>401,265</u>	<u>414,396</u>	<b>Total Receipts</b>	<u>404,069</u>	<u>401,265</u>	<u>414,396</u>
<u><b>9,781</b></u>	<u><b>8,240</b></u>	<u><b>38,996</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>9,781</b></u>	<u><b>8,240</b></u>	<u><b>38,996</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
5	76	76	Proceeds from Sale of Property, Plant & Equipment	5	76	76
(8,356)	(11,859)	(45,975)	Purchases of Property, Plant & Equipment	(8,356)	(11,859)	(45,975)
<u>(8,351)</u>	<u>(11,783)</u>	<u>(45,899)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(8,351)</u>	<u>(11,783)</u>	<u>(45,899)</u>
1,430	(3,543)	(6,903)	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,430	(3,543)	(6,903)
7,266	7,266	14,169	Opening Cash and Cash Equivalents	7,266	7,266	14,169
<u><b>8,696</b></u>	<u><b>3,723</b></u>	<u><b>7,266</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>8,696</b></u>	<u><b>3,723</b></u>	<u><b>7,266</b></u>

The accompanying notes form part of these financial statements.



Southern 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 Southern 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 14 and 21), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Southern 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 4 September 2017.

**b) Basis of Preparation**

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

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

The Secretary of Health, the Chair of the Southern 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.

Southern 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 23.

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.

Southern 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 7(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.

Southern 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**

*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.

*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.

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.

Southern 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:

	2017	2016
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- 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, 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 18 and Note 20 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.

Southern 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) Maintenance**

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

**t) Leased Assets**

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

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

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

Southern 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**

**u) Inventories**

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

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

**v) Loans and Receivables**

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

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

**w) Investments**

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

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

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

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

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

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

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

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

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

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

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

Southern 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**

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

**x) Impairment of Financial Assets**

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

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

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

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

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

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

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

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

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

**z) Payables**

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

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

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

**aa) 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 20 and Note 33 for further disclosures regarding fair value measurements of financial and non-financial assets.

**ab) Equity and Reserves**

**(i) Accumulated Funds**

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



Southern 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**

(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.

ac) **Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 26.

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.

ad) **Adjusted Budgeted Amounts**

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

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

ae) **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.

Southern 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**

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.

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

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>2. Employee Related</b>		
-----	-----	Salaries and Wages (including annual leave)	208,413	195,169
-----	-----	Superannuation - Defined Benefit Plans	2,231	2,281
-----	-----	Superannuation - Defined Contribution Plans	18,071	16,613
-----	-----	Long Service Leave	2,486	10,146
-----	-----	Redundancies	180	169
-----	-----	Workers' Compensation Insurance	1,861	1,851
-----	-----	Fringe Benefits Tax	23	30
<u>-----</u>	<u>-----</u>		<u>233,265</u>	<u>226,259</u>
<u>-----</u>	<u>-----</u>		<u>233,265</u>	<u>226,259</u>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-----	-----	Employee Related Expenses Capitalised - Land and Buildings	175	137
-----	-----	Employee Related Expenses Capitalised - Plant and Equipment	44	36
		<b>3. Personnel Services</b>		
208,413	195,169	Salaries and Wages	-----	-----
-----	-----	Superannuation - Defined Benefit Plans	-----	-----
18,071	16,613	Superannuation - Defined Contribution Plans	-----	-----
(169)	567	Long Service Leave	-----	-----
180	169	Redundancies	-----	-----
1,861	1,851	Workers' Compensation Insurance	-----	-----
23	30	Fringe Benefits Tax	-----	-----
<u>228,379</u>	<u>214,399</u>		<u>-----</u>	<u>-----</u>
<u>228,379</u>	<u>214,399</u>		<u>-----</u>	<u>-----</u>
		Personnel services of Southern NSW Local Health District was provided by its controlled entity, Southern NSW Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
175	137	Personnel Services Expenses Capitalised - Land and Buildings	-----	-----
44	36	Personnel Services Expenses Capitalised - Plant and Equipment	-----	-----

Southern 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>				
208	114	Advertising	208	114
95	92	Auditor's Remuneration - Audit of Financial Statements	95	92
1,567	1,318	Blood and Blood Products	1,567	1,318
267	866	Consultancies	267	866
203	-----	Contractors	203	-----
11,272	10,514	Domestic Supplies and Services	11,272	10,514
6,889	6,884	Drug Supplies	6,889	6,884
8,738	8,225	Food Supplies	8,738	8,225
3,163	3,151	Fuel, Light and Power	3,163	3,151
9,364	9,462	Hospital Ambulance Transport Costs	9,364	9,462
7,446	5,981	Information Management Expenses	7,446	5,981
490	643	Insurance	490	643
7,790	12,066	Maintenance (See 4(b) below)	7,790	12,066
14,258	11,975	Medical and Surgical Supplies	14,258	11,975
1,103	930	Motor Vehicle Expenses	1,103	930
1,055	1,017	Postal and Telephone Costs	1,055	1,017
765	758	Printing and Stationery	765	758
769	622	Rates and Charges	769	622
1,301	1,118	Rental	1,301	1,118
1,232	1,215	Hosted Services Purchased from entities controlled by the immediate parent	1,232	1,215
16,481	15,037	Special Service Departments (Dental, Radiology, Pathology, Allied Health and Dialysis)	16,481	15,037
5,083	3,966	Staff Related Costs	5,083	3,966
4,342	3,860	Travel Related Costs	4,342	3,860
12,643	11,579	Other (See 4(a) below)	12,643	11,579
<u>116,524</u>	<u>111,393</u>		<u>116,524</u>	<u>111,393</u>

Southern 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>				
701	194	Contract for Patient Services	701	194
4,452	4,377	Corporate Support Services	4,452	4,377
362	336	Courier and Freight	362	336
2,026	1,546	Isolated Patient Travel and Accommodation Assistance Scheme	2,026	1,546
82	168	Legal Services	82	168
139	292	Membership/Professional Fees	139	292
1,576	1,617	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,576	1,617
436	475	Other Operating Lease Expense - Minimum Lease Payments	436	475
6	5	Quality Assurance/Accreditation	6	5
1,393	1,143	Security Services	1,393	1,143
1,470	1,426	Other Miscellaneous	1,470	1,426
<u>12,643</u>	<u>11,579</u>		<u>12,643</u>	<u>11,579</u>
<b>b) Reconciliation of Total Maintenance</b>				
2,157	2,097	Maintenance Contracts	2,157	2,097
3,110	7,969	New/Replacement Equipment under \$10,000	3,110	7,969
2,454	1,984	Repairs Maintenance/Non Contract	2,454	1,984
69	16	Other	69	16
7,790	12,066	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	7,790	12,066
1,236	1,150	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	1,236	1,150
<u>9,026</u>	<u>13,216</u>		<u>9,026</u>	<u>13,216</u>

Some 'Advertising' was paid to the Public Service Commission, an entity controlled by the ultimate parent.

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

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

'Hosted Services Purchased from entities controlled by the immediate parent' were paid to Murrumbidgee Local Health District, 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.

Southern 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>5. Depreciation and Amortisation</b>				
10,865	8,462	Depreciation - Buildings	10,865	8,462
4,195	2,544	Depreciation - Plant and Equipment	4,195	2,544
503	260	Depreciation - Infrastructure Systems	503	260
<u>15,563</u>	<u>11,266</u>		<u>15,563</u>	<u>11,266</u>
<b>6. Grants and Subsidies</b>				
494	98	Grants paid to entities controlled by the immediate parent	494	98
538	510	Other Grants	538	510
<u>1,032</u>	<u>608</u>		<u>1,032</u>	<u>608</u>

The majority of 'Grants paid to entities controlled by the immediate parent' were paid to Health Administration Corporation and some were paid to Health Education and Training Institute, which are both entities controlled by the immediate parent.

Southern 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>7. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
2	8	Pharmacy Sales	2	8
521	538	Sale of Prosthesis	521	538
3	2	Other	3	2
b) Rendering of Services comprise the following:-				
		Patient Fees		
17,125	15,882	- Inpatient Fees	17,125	15,882
1,008	1,005	- Nursing Home Fees	1,008	1,005
923	1,100	- Non Inpatient Fees	923	1,100
8,917	7,733	Department of Veterans' Affairs	8,917	7,733
154	148	Staff-Meals and Accommodation	154	148
1,331	-----	Infrastructure Fees - Monthly Facility Charge	1,331	-----
1	-----	Car Parking	1	-----
4,517	4,537	Clinical Services (excluding Clinical Drug Trials)	4,517	4,537
79	83	Commercial Activities	79	83
24	19	Fees for Medical Records	24	19
22	19	Information Retrieval	22	19
2,499	2,486	Highly Specialised Drugs	2,499	2,486
1,757	1,488	Motor Accident Authority Third Party	1,757	1,488
27	12	Patient Transport Fees	27	12
56	76	Private Use of Motor Vehicles	56	76
181	169	Salary Packaging Fee	181	169
4,483	3,871	Hosted Services Provided to entities controlled by immediate parent	4,483	3,871
151	493	Services Provided to Non NSW Health Organisations	151	493
-----	28	Shared Corporate Services	-----	28
2,218	2,114	Multi Purpose Service Centre Fees	2,218	2,114
203	223	Other	203	223
<u>46,202</u>	<u>42,034</u>		<u>46,202</u>	<u>42,034</u>

Some 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.

<b>8. Investment Revenue</b>				
88	110	Interest	88	110
<u>88</u>	<u>110</u>		<u>88</u>	<u>110</u>

Southern 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>9. Grants and Contributions</b>				
2,979	3,441	Commonwealth Government Grants	2,979	3,441
911	1,023	Industry Contributions/Donations	911	1,023
658	610	Cancer Institute Grants	658	610
541	677	Grants received from entities controlled by the ultimate parent	541	677
459	6,215	Grants received from entities controlled by the immediate parent	459	6,215
1,681	1,510	Other Grants	1,681	1,510
<u>7,229</u>	<u>13,476</u>		<u>7,229</u>	<u>13,476</u>

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

The majority of 'Grants received from entities controlled by the ultimate parent' were received from Ageing, Disability and Home Care, Department of Family and Community Services and some were received from Infrastructure NSW. Both are entities controlled by the ultimate parent.

Some 'Grants received from entities controlled by the immediate parent' were received from Health Education and Training Institute and the Agency for Clinical Innovation. There was also some grants received from the immediate parent, the Ministry of Health.

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

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

-----	-----	Superannuation-defined benefit	2,231	2,281
-----	-----	Long Service Leave	2,655	9,579
<u>-----</u>	<u>-----</u>		<u>4,886</u>	<u>11,860</u>

**11. Other Revenue**

Other Revenue comprises the following:-

8	-----	Bad Debts Recovered	8	-----
5	6	Commissions	5	6
24	8	Conference and Training Fees	24	8
-----	93	Discounts received	-----	93
305	398	Insurance Refunds	305	398
339	345	Lease and Rental	339	345
1,535	1,963	Treasury Managed Fund Hindsight Adjustment	1,535	1,963
218	152	Other	218	152
<u>2,434</u>	<u>2,965</u>		<u>2,434</u>	<u>2,965</u>

The majority of 'Lease and Rental' revenue was received from Health Administration Corporation, which is an entity controlled by the immediate parent.



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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>12. Gain / (Loss) on Disposal</b>				
339	2,054	Property, Plant and Equipment	339	2,054
(319)	(1,823)	Accumulated Depreciation	(319)	(1,823)
<u>20</u>	<u>231</u>	<b>Written Down Value</b>	<u>20</u>	<u>231</u>
5	76	Proceeds from Disposal	5	76
<u>(15)</u>	<u>(155)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(15)</u>	<u>(155)</u>
<u>(15)</u>	<u>(155)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(15)</u>	<u>(155)</u>
<b>13. Other Gains / (Losses)</b>				
-----	53	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	-----	53
(32)	(28)	Impairment of Receivables	(32)	(28)
<u>(32)</u>	<u>25</u>		<u>(32)</u>	<u>25</u>

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**PARENT & CONSOLIDATION**

**14. Conditions on Contributions**

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	15	34	992	1,041
Contributions recognised in previous years which were not expended in the current reporting period	32	532	1,874	2,438
Total amount of unexpended contributions as at reporting date	47	566	2,866	3,479

Comment on restricted assets appears in Note 21.

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>15. Cash and Cash Equivalents</b>		
<u>8,696</u>	<u>7,266</u>	Cash at Bank and On Hand	<u>8,696</u>	<u>7,266</u>
<u><b>8,696</b></u>	<u><b>7,266</b></u>		<u><b>8,696</b></u>	<u><b>7,266</b></u>
		For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
<u>8,696</u>	<u>7,266</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>8,696</u>	<u>7,266</u>
<u><b>8,696</b></u>	<u><b>7,266</b></u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>8,696</b></u>	<u><b>7,266</b></u>

*Refer to Note 33 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>16. Receivables</b>				
<b>Current</b>				
3,071	3,065	Sale of Goods and Services	3,071	3,065
2,394	2,495	Intra Health Receivables	2,394	2,495
1,792	1,576	Goods and Services Tax	1,792	1,576
205	1,916	Other Debtors	205	1,916
<u>7,462</u>	<u>9,052</u>	<b>Sub Total</b>	<u>7,462</u>	<u>9,052</u>
<u>(58)</u>	<u>(48)</u>	Less Allowance for Impairment	<u>(58)</u>	<u>(48)</u>
7,404	9,004	<b>Sub Total</b>	7,404	9,004
471	385	Prepayments	471	385
<u>7,875</u>	<u>9,389</u>		<u>7,875</u>	<u>9,389</u>

'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. Some of the balance at reporting date was receivable from the Health Administration Corporation and Murrumbidgee Local Health District. There were also some receivables with the immediate parent, the Ministry of Health.

a) Movement in the Allowance for Impairment

Sale of Goods and Services				
(48)	(54)	Balance at Commencement of Reporting Period	(48)	(54)
20	33	Amounts written off during the period	20	33
14	(27)	(Increase)/decrease in Allowance Recognised in the Net Result	14	(27)
<u>(14)</u>	<u>(48)</u>	Balance at 30 June 2017	<u>(14)</u>	<u>(48)</u>

b) Movement in the Allowance for Impairment

Other Debtors				
-----	-----	Balance at Commencement of Reporting Period	-----	-----
2	1	Amounts written off during the period	2	1
(46)	(1)	(Increase)/decrease in Allowance Recognised in the Net Result	(46)	(1)
<u>(44)</u>	<u>-----</u>	Balance at 30 June 2017	<u>(44)</u>	<u>-----</u>
<u>(58)</u>	<u>(48)</u>		<u>(58)</u>	<u>(48)</u>

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>16. Receivables</b>		
		<b>Non-Current</b>		
		Prepayments		
253	316		253	316
253	316		253	316
		c) The sale of goods and services balance above include the following patient fee receivables:		
		(Current) include:		
136	248	Patient Fees - Compensable	136	248
78	68	Patient Fees - Ineligible	78	68
2,666	2,496	Patient Fees - Inpatient & Other	2,666	2,496
2,880	2,812		2,880	2,812

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

Southern NSW Local Health District  
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>17. Inventories</b>		
694	661	Drugs	694	661
60	61	Engineering Supplies	60	61
<u>754</u>	<u>722</u>		<u>754</u>	<u>722</u>
<u>754</u>	<u>722</u>		<u>754</u>	<u>722</u>

Southern NSW Local Health District  
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>18. Property, Plant and Equipment</b>		
		<b>Land and Buildings - Fair Value</b>		
482,222	476,778	Gross Carrying Amount	482,222	476,778
165,311	154,446	Less: Accumulated Depreciation and Impairment	165,311	154,446
<u>316,911</u>	<u>322,332</u>	Net Carrying Amount	<u>316,911</u>	<u>322,332</u>
		<b>Plant and Equipment - Fair Value*</b>		
43,615	41,345	Gross Carrying Amount	43,615	41,345
17,599	13,751	Less: Accumulated Depreciation and Impairment	17,599	13,751
<u>26,016</u>	<u>27,594</u>	Net Carrying Amount	<u>26,016</u>	<u>27,594</u>
		<b>Infrastructure Systems - Fair Value</b>		
20,107	20,107	Gross Carrying Amount	20,107	20,107
4,027	3,524	Less: Accumulated Depreciation and Impairment	4,027	3,524
<u>16,080</u>	<u>16,583</u>	Net Carrying Amount	<u>16,080</u>	<u>16,583</u>
<u>359,007</u>	<u>366,509</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>359,007</u>	<u>366,509</u>

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

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**PARENT & CONSOLIDATION**

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

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
<b>2017</b>					
Net carrying amount at start of year	14,700	307,632	27,594	16,583	366,509
Additions	----	5,444	2,912	----	8,356
Recognition of Assets Held for Sale	----	----	----	----	----
Disposals	----	----	(20)	----	(20)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	(275)	----	(275)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----
Impairment Losses (Recognised in 'Other Gains/(Losses)')	----	----	----	----	----
Depreciation Expense	----	(10,865)	(4,195)	(503)	(15,563)
Reclassifications	----	----	----	----	----
Net carrying amount at end of year	14,700	302,211	26,016	16,080	359,007

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
<b>2016</b>					
Net carrying amount at start of year	15,910	304,981	10,551	2,742	334,184
Additions	----	26,296	19,720	----	46,016
Recognition of Assets Held for Sale	(725)	(125)	----	----	(850)
Disposals	----	----	(231)	----	(231)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	98	----	98
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(485)	(1,086)	----	76	(1,495)
Impairment Losses (Recognised in 'Other Gains/(Losses)')	----	----	----	53	53
Depreciation Expense	----	(8,462)	(2,544)	(260)	(11,266)
Reclassifications	----	(13,972)	----	13,972	----
Net carrying amount at end of year	14,700	307,632	27,594	16,583	366,509

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 20.

- (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 Egan National Valuers (ACT) were not applied as they were deemed immaterial.



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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>19. Non-Current Assets Held for Sale</b>				
<b>Assets Held for Sale</b>				
850	850	Land and Buildings	850	850
<u>850</u>	<u>850</u>		<u>850</u>	<u>850</u>

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.

Non-Current Assets (or Disposal Groups) Held for Sale include Land and Buildings located at 1 McKee Drive, Bega. In March 2016, the District moved into a newly constructed hospital at 1614 Tathra Road, Bega. Management has determined the Land and Buildings at 1 McKee Drive Bega to be excess assets to the District's operations. A willing buyer has been found and the sale is expected to be completed within the next twelve months.

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**PARENT & CONSOLIDATION**

**20. 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 18)				
- Land and Buildings	-----	1,160	158,014	159,174
- Infrastructure Systems	-----	-----	2,545	2,545
Non-Current Assets Held for Sale (Note 19)	-----	850	-----	850
	-----	2,010	160,559	162,569

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 18.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	-----	1,210	165,023	166,233
- Infrastructure Systems	-----	-----	2,698	2,698
Non-Current Assets Held for Sale (Note 19)	-----	850	-----	850
	-----	2,060	167,721	169,781

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 18.

**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 Egan National Valuers (ACT) for the FY2015/16 financial year. Egan National Valuers (ACT) 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.

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**PARENT & CONSOLIDATION**

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

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

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

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

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

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

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

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**PARENT & CONSOLIDATION**

**20. 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	165,023	2,698	167,721
Depreciation	(7,009)	(153)	(7,162)
Fair value as at 30 June 2017	<u>158,014</u>	<u>2,545</u>	<u>160,559</u>

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

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	140,200	2,742	142,942
Additions	35,170	----	35,170
Revaluation increments/decrements recognised in net result – included in the line item 'Other gains/ (losses)'	----	53	53
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(1,656)	76	(1,580)
Transfers from Level 2	71	----	71
Transfers to Level 2	(1,425)	----	(1,425)
Depreciation	(7,337)	(173)	(7,510)
Fair value as at 30 June 2016	<u>165,023</u>	<u>2,698</u>	<u>167,721</u>

Transfers from Level 2 mainly relate to assets initially recognised as being on unrestricted land. These assets have now been valued consistent with the specialised nature/use of the assets.

Transfers to Level 2 mainly relate to assets being reclassified to non-current assets held for sale and assets which were previously identified as being on restricted land have now been valued using a high level of observable inputs although they are not identical.

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PARENT

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2017  
\$000

2016  
\$000

2017  
\$000

2016  
\$000

21. 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		
2,823	2,864	Specific Purposes	2,823	2,864
10	6	Other	10	6
85	77	Education	85	77
561	503	Frontline Health Services	561	503
<u>3,479</u>	<u>3,450</u>		<u>3,479</u>	<u>3,450</u>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>22. Payables</b>		
		<b>Current</b>		
-----	-----	Accrued Salaries, Wages and On-Costs	6,403	3,779
-----	-----	Taxation and Payroll Deductions	784	1,339
7,187	5,118	Accrued Liability - Purchase of Personnel Services	-----	-----
9,260	9,437	Creditors	9,260	9,437
		Other Creditors		
555	6	- Capital Works	555	6
3,515	2,882	- Payables to entities controlled by the immediate parent	3,515	2,882
2,329	3,083	- Other	2,329	3,083
<u>22,846</u>	<u>20,526</u>		<u>22,846</u>	<u>20,526</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation. There were also some payables with the immediate parent, the Ministry of Health.

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

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		<b>23. Provisions</b>		
		<b>Current</b>		
-----	-----	Annual Leave - Short Term Benefit	19,182	17,733
-----	-----	Annual Leave - Long Term Benefit	1,888	3,386
-----	-----	Long Service Leave Consequential On-Costs	3,932	4,087
25,287	25,206	Provision for Personnel Services Liability	-----	-----
-----	-----	Other	285	-----
<u>25,287</u>	<u>25,206</u>		<u>25,287</u>	<u>25,206</u>
		<b>Non-Current</b>		
-----	-----	Long Service Leave Consequential On-Costs	342	355
342	355	Provision for Personnel Services Liability	-----	-----
<u>342</u>	<u>355</u>		<u>342</u>	<u>355</u>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
-----	-----	Provisions - Current	25,287	25,206
-----	-----	Provisions - Non-Current	342	355
-----	-----	Accrued Salaries, Wages and On-Costs (Note 22)	7,187	5,118
32,816	30,679	Liability - Purchase of Personnel Services	-----	-----
<u>32,816</u>	<u>30,679</u>		<u>32,816</u>	<u>30,679</u>
		<b>24. Other Liabilities</b>		
		<b>Current</b>		
-----	-----	Income in Advance	146	853
146	853		<u>146</u>	<u>853</u>

As at the 30 June 2017 the District had received the following income prior to the services/activities being provided/achieved:-  
Department of Veteran Affairs (DVA Patients) \$102 thousand  
and Prepaid Patient Fees \$44 thousand.

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>25. 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:				
3,478	4,309	Not later than one year	3,478	4,309
1,053	741	Later than one year and not later than five years	1,053	741
<u>4,531</u>	<u>5,050</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>4,531</u>	<u>5,050</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:				
1,732	2,616	Not later than one year	1,732	2,616
1,208	1,979	Later than one year and not later than five years	1,208	1,979
<u>2,940</u>	<u>4,595</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>2,940</u>	<u>4,595</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 \$7,471 thousand as at 30 June 2017 includes input tax credits of \$663 thousand that are expected to be recoverable from the Australian Taxation Office (2016: \$834 thousand).				



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**26. Trust Funds**

The District holds trust funds of \$316 thousand 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	196	188	28	20	-----	-----	224	208
Revenue	19	32	157	8	-----	8	176	48
Expenses	(23)	(24)	(61)	-----	-----	(8)	(84)	(32)
Balance at the end of the financial year	<b>192</b>	<b>196</b>	<b>124</b>	<b>28</b>	-----	-----	<b>316</b>	<b>224</b>

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**27. Contingent Liabilities and Assets**

**a) Workers Compensation Hindsight Adjustment**

As at the 30th of June 2017 there was no outstanding Workers Compensation Hindsight Adjustments pertaining to the hospitals and community services now forming part of the District.

**b) Other Contingent Liabilities and Assets**

As at the 30th June 2017 there are no known other contingent liabilities and assets.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>28. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
9,781	38,996	Net Cash Flows from Operating Activities	9,781	38,996
(15,563)	(11,266)	Depreciation and Amortisation	(15,563)	(11,266)
(32)	(28)	Allowance for Impairment	(32)	(28)
707	(506)	(Increase)/ Decrease Income in Advance	707	(506)
(67)	(1,528)	(Increase)/ Decrease in Provisions	(67)	(1,528)
(1,537)	(1,974)	Increase / (Decrease) in Prepayments and Other Assets	(1,537)	(1,974)
(2,297)	1,664	(Increase)/ Decrease in Payables from Operating Activities	(2,297)	1,664
		Revaluation of Property, Plant and Equipment recognised in 'Other gains/(losses)'	-----	53
(15)	(155)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(15)	(155)
(275)	140	Assets donated or brought to account for the first time	(275)	140
<u>(9,298)</u>	<u>25,396</u>	<b>Net Result</b>	<u>(9,298)</u>	<u>25,396</u>
<b>29. Non-Cash Financing and Investing Activities</b>				
(275)	140	Assets Received by Donation	(275)	140
<u>(275)</u>	<u>140</u>		<u>(275)</u>	<u>140</u>
<b>30. 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>31. 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>				

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**PARENT AND CONSOLIDATION**

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

The variance between the NSW Ministry of Health Recurrent Allocation actuals and adjusted budget of \$76 thousand is the result of funding being withheld from the District for the recruitment of new nursing and midwifery positions received within the Service Level Agreement. Funding was not released to the District as these positions are yet to be recruited to. No adjustment to the Districts' budget was received.

**Net Result**

The actual Net Result was lower than adjusted budget by \$859 thousand, primarily due to:

	Favourable (Unfavourable)
	<b>\$000</b>
<b>Expenses</b>	
Employee Related	(2,867)
Visiting Medical Officers	4,508
Other Operating Expenses	(4,333)
Depreciation and Amortisation	31
Grants and Subsidies	(74)
<b>Revenue</b>	
NSW Ministry of Health Recurrent Allocations	(76)
NSW Ministry of Health Capital Allocations	165
Acceptance by the Crown Entity of Employee Benefits	37
Sale of Goods and Services	(783)
Investment Revenue	(24)
Grants and Contributions	1,103
Other Revenue	1,467
Gain / (Loss) on Disposal	(15)
Other Gains / (Losses)	2
<b>Net Result</b>	<b>(859)</b>

**Assets and Liabilities**

Total Assets were above budget by \$153 thousand largely due to Cash and Cash Equivalents being far higher than budget. Total liabilities were higher than budget by \$1,014 thousand as a result of an increase in the current Payables during the year.

**Cash Flows**

Net Cash Flows from Operating Activities were \$1,541 thousand favourable to budget. Payments for Grants and Subsidies and Employee Related exceeded budget by a combined \$1,424 thousand. Receipts from Grants and Contributions and Other exceeded budget by \$995 thousand and \$2,060 thousand respectively.

Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems was favourable to budget by \$3,503 thousand resulting in closing Cash and Equivalents exceeding budget by \$4,973 thousand.

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

	\$000
<b>Initial Allocation</b>	314,328
<b>Other</b>	
Drug & Alcohol	161
Voluntary Redundancies	180
Dental	200
Teaching, Training & Research	421
Rural Doctors	472
IPTAAS	709
Nursing	859
Community Health	1,400
Other Adjustments	1,454
<b>Balance as per Statement of Comprehensive Income</b>	<b>320,184</b>

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**33. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT AND CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount	
		2017 \$000	2016 \$000
Cash and Cash Equivalents (Note 15)	N/A	8,696	7,266
Receivables (Note 16)*	Loans and receivables (at amortised cost)	5,612	7,428
		14,308	14,694
<b>Financial Liabilities</b>			
Payables (Note 22)**	Financial liabilities (measured at amortised cost)	22,062	19,187
		22,062	19,187

**Notes**

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

\*\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments Disclosures).

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### 33. Financial Instruments

#### (b) Credit Risk

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

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

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

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.37% in 2016/17 compared to 2.81% in the previous year.

#### 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: \$2,905 thousand; 2016: \$4,176 thousand) and not more than 3 months past due (2017: \$193 thousand; 2016: \$281 thousand) 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>
<b>2017</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<3 months overdue	193	193	-----
3 months - 6 months overdue	51	48	3
> 6 months overdue	127	72	55
<b>2016</b>			
<3 months overdue	290	281	9
3 months - 6 months overdue	167	150	17
> 6 months overdue	84	62	22

#### Notes

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of 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.

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### 33. Financial Instruments

#### (c) Liquidity Risk

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

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

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

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

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

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

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

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33. Financial Instruments

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount <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:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	6,403	----	----	6,403	6,403	----	----
- Creditors	15,659	----	----	15,659	15,659	----	----
	<u>22,062</u>	----	----	<u>22,062</u>	<u>22,062</u>	----	----
<b>2016</b>							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	3,779	----	----	3,779	3,779	----	----
- Creditors	15,408	----	----	15,408	15,408	----	----
	<u>19,187</u>	----	----	<u>19,187</u>	<u>19,187</u>	----	----

**Notes:**

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



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33. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The District's exposures to market risk are primarily through cash and cash equivalents. 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 cash and cash equivalents.

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	8,696	(87)	(87)	87	87
Receivables	5,612	----	----	----	----
<b>Financial Liabilities</b>					
Payables	22,062	----	----	----	----
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	7,266	(73)	(73)	73	73
Receivables	7,428	----	----	----	----
<b>Financial Liabilities</b>					
Payables	19,187	----	----	----	----

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**34. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	1,152
Post-employment benefits	46
	<u>1,198</u>

During the financial year, Southern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$332 thousand 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 further transactions with key management personnel and their close family members besides those disclosed above.

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

**35. Events After the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**