

**Western NSW
Local Health District**

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Western NSW Local Health District

To Members of the New South Wales Parliament

Opinion

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

In my opinion the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter

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

The Chief Executive's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Renee Meimaroglou
Director, Financial Audit Services

12 September 2017
SYDNEY

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



Scott McLachlan
Chief Executive
8 September 2017



Josh Carey
Director Finance
8 September 2017

Western NSW Local Health District
Statement of Comprehensive Income for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
			Expenses excluding losses			
			Operating Expenses			
----	----	----				
482,567	481,402	455,287	2	495,238	494,342	482,698
63,537	64,066	62,925	3	----	----	----
257,009	251,307	230,107		63,537	64,066	62,925
47,828	47,829	47,309	4	257,009	251,307	230,107
2,747	3,207	2,740	1(m), 5	47,828	47,829	47,309
16,280	16,434	16,193	6	2,747	3,207	2,740
13,130	13,050	12,936	1(g), 7	16,280	16,434	16,193
			8	13,130	13,050	12,936
883,098	877,295	827,497		895,769	890,235	854,908
			Total Expenses excluding losses			
			Revenue			
687,042	687,070	656,168	1(h)	687,042	687,070	656,168
39,455	39,389	58,468	1(h)	39,455	39,389	58,468
(744)	----	----		(744)	----	----
----	----	----	1(e)(ii), 12	12,671	12,940	27,411
117,758	116,622	100,428	1(h), 9	117,758	116,622	100,428
561	404	537	1(h), 10	561	404	537
19,393	17,925	16,573	1(h), 11	19,393	17,925	16,573
8,420	2,173	9,028	13	8,420	2,173	9,028
871,885	863,583	841,202		884,556	876,523	868,613
405	----	(679)	14	405	----	(679)
(414)	(246)	(623)	15	(414)	(246)	(623)
				884,556	876,523	868,613
(11,222)	(13,958)	12,403	31	(11,222)	(13,958)	12,403
			Net Result			
			Other Comprehensive Income			
			Items that will not be reclassified to net result			
			Net Increase/(Decrease) in Property, Plant &			
26,552	----	----	20	26,552	----	----
26,552	----	----		26,552	----	----
				26,552	----	----
15,330	(13,958)	12,403		15,330	(13,958)	12,403
			TOTAL COMPREHENSIVE INCOME			

The accompanying notes form part of these financial statements.

Western NSW Local Health District
Statement of Financial Position as at 30 June 2017

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2017 \$000	2017 \$000	2016 \$000			2017 \$000	2017 \$000	2016 \$000		
ASSETS									
Current Assets									
31,966	5,717	20,472	Cash and Cash Equivalents	17	31,966	5,717	20,472		
23,605	26,665	26,665	Receivables	18	23,605	26,665	26,665		
2,737	2,845	2,845	Inventories	19	2,737	2,845	2,845		
<u>58,308</u>	<u>35,227</u>	<u>49,982</u>			<u>58,308</u>	<u>35,227</u>	<u>49,982</u>		
1,152	1,016	1,016	Non-Current Assets Held for Sale	21	1,152	1,016	1,016		
59,460	36,243	50,998	Total Current Assets		59,460	36,243	50,998		
Non-Current Assets									
240	721	721	Receivables	18	240	721	721		
880,627	869,132	877,531	Property, Plant & Equipment						
			- Land and Buildings	20	880,627	869,132	877,531		
68,283	61,401	55,037	- Plant and Equipment	20	68,283	61,401	55,037		
52,459	48,194	45,230	- Infrastructure Systems	20	52,459	48,194	45,230		
1,012	1,010	1,349	- Leasehold Improvements	20	1,012	1,010	1,349		
<u>1,002,381</u>	<u>979,737</u>	<u>979,147</u>	Total Property, Plant & Equipment		<u>1,002,381</u>	<u>979,737</u>	<u>979,147</u>		
1,002,621	980,458	979,868	Total Non-Current Assets		1,002,621	980,458	979,868		
1,062,081	1,016,701	1,030,866	Total Assets		1,062,081	1,016,701	1,030,866		
LIABILITIES									
Current Liabilities									
57,770	51,042	50,036	Payables	24	57,770	51,042	50,036		
1,147	451	173	Borrowings	25	1,147	451	173		
67,219	62,170	64,097	Provisions	26	67,219	62,170	64,097		
20	94	94	Other	27	20	94	94		
<u>126,156</u>	<u>113,757</u>	<u>114,400</u>	Total Current Liabilities		<u>126,156</u>	<u>113,757</u>	<u>114,400</u>		
Non-Current Liabilities									
166,122	162,429	161,990	Borrowings	25	166,122	162,429	161,990		
853	853	856	Provisions	26	853	853	856		
<u>166,975</u>	<u>163,282</u>	<u>162,846</u>	Total Non-Current Liabilities		<u>166,975</u>	<u>163,282</u>	<u>162,846</u>		
293,131	277,039	277,246	Total Liabilities		293,131	277,039	277,246		
768,950	739,662	753,620	Net Assets		768,950	739,662	753,620		
EQUITY									
256,128	229,575	229,576	Reserves		256,128	229,575	229,576		
512,822	510,087	524,044	Accumulated Funds		512,822	510,087	524,044		
<u>768,950</u>	<u>739,662</u>	<u>753,620</u>	Total Equity		<u>768,950</u>	<u>739,662</u>	<u>753,620</u>		

The accompanying notes form part of these financial statements.

Western 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		524,044	229,576	753,620
Net Result for the year		(11,222)	-----	(11,222)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	26,552	26,552
Total Other Comprehensive Income		-----	26,552	26,552
Total Comprehensive Income for the year		(11,222)	26,552	15,330
Balance at 30 June 2017		512,822	256,128	768,950
Balance at 1 July 2015		511,641	229,576	741,217
Net Result for the year		12,403	-----	12,403
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	-----	-----
Total Other Comprehensive Income		-----	-----	-----
Total Comprehensive Income for the year		12,403	-----	12,403
Balance at 30 June 2016		524,044	229,576	753,620

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---	Employee Related	(484,369)	(489,571)	(457,676)
(17,730)	(18,110)	(17,552)	Grants and Subsidies	(17,730)	(18,110)	(17,552)
(16,280)	(16,434)	(16,193)	Finance Costs	(16,280)	(16,434)	(16,193)
(832,735)	(838,621)	(777,995)	Other	(348,366)	(349,050)	(320,319)
(866,745)	(873,165)	(811,740)	Total Payments	(866,745)	(873,165)	(811,740)
Receipts						
687,042	687,070	656,168	NSW Ministry of Health Recurrent Allocations	687,042	687,070	656,168
39,455	39,389	58,468	NSW Ministry of Health Capital Allocations	39,455	39,389	58,468
(744)	---	---	Asset Sale Proceeds Transferred to the NSW Ministry of Health	(744)	---	---
8,583	8,583	8,222	Reimbursements from the Crown Entity	8,583	8,583	8,222
122,363	118,661	96,308	Sale of Goods and Services	122,363	118,661	96,308
561	404	537	Interest Received	561	404	537
20,713	19,198	18,140	Grants and Contributions	20,713	19,198	18,140
38,733	32,090	34,870	Other	38,733	32,090	34,870
916,706	905,395	872,713	Total Receipts	916,706	905,395	872,713
49,961	32,230	60,973	NET CASH FLOWS FROM OPERATING ACTIVITIES	49,961	32,230	60,973
CASH FLOWS FROM INVESTING ACTIVITIES						
871	---	826	Proceeds from Sale of Property, Plant & Equipment	871	---	826
(44,442)	(47,701)	(58,519)	Purchases of Property, Plant & Equipment	(44,442)	(47,701)	(58,519)
(43,571)	(47,701)	(57,693)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(43,571)	(47,701)	(57,693)
CASH FLOWS FROM FINANCING ACTIVITIES						
5,421	5,421	73	Proceeds from Borrowings and Advances	5,421	5,421	73
(317)	(4,705)	---	Repayment of Borrowings and Advances	(317)	(4,705)	---
5,104	716	73	NET CASH FLOWS FROM FINANCING ACTIVITIES	5,104	716	73
11,494	(14,755)	3,353	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	11,494	(14,755)	3,353
20,472	20,472	17,119	Opening Cash and Cash Equivalents	20,472	20,472	17,119
31,966	5,717	20,472	CLOSING CASH AND CASH EQUIVALENTS	31,966	5,717	20,472

The accompanying notes form part of these financial statements.

Western 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 Western 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 16 and 23), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Western 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 8 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(af).

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

The Secretary of Health, the Chair of the Western 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.

Western 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 26.

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

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

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.

Western 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 9(b) for further details.

Use of Outside Facilities

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

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

Grants and Contributions

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

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

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

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

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

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

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.

Western 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:

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

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

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

n) Revaluation of Non-Current Assets

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 22 for further information regarding fair value.

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

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

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

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

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

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

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

Western 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

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

o) Impairment of Property, Plant and Equipment

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

p) Restoration Costs

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

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

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

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

r) Investment Properties

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

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

s) Maintenance

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

t) Leased Assets

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

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

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

u) Inventories

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

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

v) Loans and Receivables

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

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

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.

Western 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

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.

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.

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

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

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

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

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

x) Impairment of Financial Assets

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

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

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

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

y) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

z) Payables

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

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

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

aa) Borrowings

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

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

1. Summary of Significant Accounting Policies

ab) Fair Value Hierarchy

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

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

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

Refer to Note 22 and Note 36 for further disclosures regarding fair value measurements of financial and non-financial assets.

ac) Equity Transfers

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

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

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

ad) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ae) Trust Funds

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

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

af) Adjusted Budgeted Amounts

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

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

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

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

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

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

(ii) Issued but not yet effective

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

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

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

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

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

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

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

Western 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
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	438,196	411,629
----	----	Superannuation - Defined Benefit Plans	4,441	4,828
----	----	Superannuation - Defined Contribution Plans	39,054	36,718
----	----	Long Service Leave	8,193	23,961
----	----	Redundancies	450	378
----	----	Workers' Compensation Insurance	4,862	5,117
----	----	Fringe Benefits Tax	42	67
<u>-----</u>	<u>-----</u>		<u>495,238</u>	<u>482,698</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	----	26
		3. Personnel Services		
438,196	411,629	Salaries and Wages	----	----
39,054	36,718	Superannuation - Defined Contribution Plans	----	----
(37)	1,378	Long Service Leave	----	----
450	378	Redundancies	----	----
4,862	5,117	Workers' Compensation Insurance	----	----
42	67	Fringe Benefits Tax	----	----
<u>482,567</u>	<u>455,287</u>		<u>-----</u>	<u>-----</u>
		Personnel services of Western NSW Local Health District was provided by its controlled entity, Western NSW Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
----	26	Personnel Services Expenses Capitalised - Land and Buildings	----	----

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

4. Other Operating Expenses

404	277	Advertising	404	277
213	203	Auditor's Remuneration - Audit of Financial Statements	213	203
3,371	3,508	Blood and Blood Products	3,371	3,508
1,020	705	Consultancies	1,020	705
1,139	1,331	Contractors	1,139	1,331
7,761	7,727	Domestic Supplies and Services	7,761	7,727
28,813	20,234	Drug Supplies	28,813	20,234
8,398	8,352	Food Supplies	8,398	8,352
7,369	7,016	Fuel, Light and Power	7,369	7,016
17,862	17,819	Hospital Ambulance Transport Costs	17,862	17,819
17,031	13,557	Information Management Expenses	17,031	13,557
930	933	Insurance	930	933
22,468	18,683	Maintenance (See 4(b) below)	22,468	18,683
30,246	28,262	Medical and Surgical Supplies	30,246	28,262
2,469	2,254	Motor Vehicle Expenses	2,469	2,254
3,072	2,544	Postal and Telephone Costs	3,072	2,544
1,216	1,378	Printing and Stationery	1,216	1,378
1,896	1,870	Rates and Charges	1,896	1,870
3,123	2,526	Rental	3,123	2,526
----	5	Hosted Services Purchased from entities controlled by the immediate parent	----	5
33,559	31,174	Special Service Departments (Allied Health, Dental, Dialysis, Imaging, Pathology)	33,559	31,174
5,896	5,081	Staff Related Costs	5,896	5,081
6,566	5,861	Travel Related Costs	6,566	5,861
52,187	48,807	Other (See 4(a) below)	52,187	48,807
<u>257,009</u>	<u>230,107</u>		<u>257,009</u>	<u>230,107</u>

Western 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
4. Other Operating Expenses				
a) Other Includes:				
4,605	4,288	Contract for Patient Services	4,605	4,288
8,420	8,816	Corporate Support Services	8,420	8,816
530	417	Courier and Freight	530	417
3,896	3,150	Isolated Patient Travel and Accommodation Assistance Scheme	3,896	3,150
388	269	Legal Services	388	269
284	131	Membership/Professional Fees	284	131
3,229	3,425	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,229	3,425
25,687	24,879	Public Private Partnership Contracted Services	25,687	24,879
376	307	Other Operating Lease Expense - Minimum Lease Payments	376	307
248	47	Quality Assurance/Accreditation	248	47
496	387	Security Services	496	387
4,028	2,691	Other Miscellaneous	4,028	2,691
52,187	48,807		52,187	48,807
b) Reconciliation of Total Maintenance				
6,564	5,888	Maintenance Contracts	6,564	5,888
11,181	9,649	New/Replacement Equipment under \$10,000	11,181	9,649
4,723	3,144	Repairs Maintenance/Non Contract	4,723	3,144
----	2	Other	----	2
22,468	18,683	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	22,468	18,683
4,900	4,889	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	4,900	4,889
27,368	23,572		27,368	23,572

'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' and 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

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

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

Western 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
5. Depreciation and Amortisation				
35,530	36,754	Depreciation - Buildings	35,530	36,754
9,986	8,277	Depreciation - Plant and Equipment	9,986	8,277
1,975	1,941	Depreciation - Infrastructure Systems	1,975	1,941
337	337	Amortisation - Leasehold Improvements	337	337
<u>47,828</u>	<u>47,309</u>		<u>47,828</u>	<u>47,309</u>
6. Grants and Subsidies				
2,038	2,020	Non-Government Organisations	2,038	2,020
30	----	Grants to Research Organisations	30	----
56	198	Grants paid to entities controlled by the immediate parent	56	198
623	522	Other Grants	623	522
<u>2,747</u>	<u>2,740</u>		<u>2,747</u>	<u>2,740</u>
<p>'Other Grants' includes those made to the Royal Flying Doctor Service for the provision of dental services; and Marathon Health Ltd under the NSW Mental Health Reform Innovation Fund.</p>				
7. Finance Costs				
16,264	16,193	Public Private Partnership Lease Interest Charges	16,264	16,193
16	----	Interest on Loans	16	----
<u>16,280</u>	<u>16,193</u>		<u>16,280</u>	<u>16,193</u>
8. Payments to Affiliated Health Organisations				
9,910	9,382	Recurrent Sourced	9,910	9,382
3,220	3,554	Lourdes Hospital and Community Services	3,220	3,554
<u>13,130</u>	<u>12,936</u>	St Vincent's Outreach Service	<u>13,130</u>	<u>12,936</u>

Western 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
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
458	220	Pharmacy Sales	458	220
1,857	1,847	Sale of Prosthesis	1,857	1,847
68	68	Other	68	68
b) Rendering of Services comprise the following:-				
		Patient Fees		
		- Inpatient Fees		
53,208	48,565		53,208	48,565
116	502	- Nursing Home Fees	116	502
1,749	2,070	- Non Inpatient Fees	1,749	2,070
10,196	8,948	Department of Veterans' Affairs	10,196	8,948
300	324	Staff-Meals and Accommodation	300	324
15,762	13,124	Infrastructure Fees - Monthly Facility Charge	15,762	13,124
28	32	Cafeteria/Kiosk	28	32
2,003	2,232	Clinical Services (excluding Clinical Drug Trials)	2,003	2,232
151	175	Commercial Activities	151	175
39	36	Fees for Medical Records	39	36
31	38	Information Retrieval	31	38
18,114	9,186	Highly Specialised Drugs	18,114	9,186
201	202	Meals on Wheels	201	202
4,069	3,497	Motor Accident Authority Third Party	4,069	3,497
15	22	Patient Transport Fees	15	22
93	100	Private Use of Motor Vehicles	93	100
259	247	Salary Packaging Fee	259	247
236	40	Hosted Services Provided to entities controlled by immediate parent	236	40
230	319	Services Provided to Non NSW Health Organisations	230	319
13	12	Shared Corporate Services	13	12
7,549	7,572	Multi Purpose Service Centre Fees	7,549	7,572
1,013	1,050	Other	1,013	1,050
117,758	100,428		117,758	100,428

'Motor Accident Authority Third Party' revenue was earned from the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

The majority of 'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent.

Some of the 'Services Provided to Non NSW Health Organisations' revenue was earned from entities controlled by the ultimate parent.

10. Investment Revenue

561	537	Interest	561	537
561	537		561	537

Western 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
11. Grants and Contributions				
70	----	Clinical Drug Trials	70	----
5,018	5,562	Commonwealth Government Grants	5,018	5,562
2,069	1,541	Industry Contributions/Donations	2,069	1,541
3,813	3,780	Cancer Institute Grants	3,813	3,780
963	998	Grants received from entities controlled by the ultimate parent	963	998
3,657	1,855	Grants received from entities controlled by the immediate parent	3,657	1,855
12	22	Research Grants	12	22
3,791	2,815	Other Grants	3,791	2,815
19,393	16,573		19,393	16,573
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The grants that were received from entities controlled by the ultimate parent were received from the Department of Family and Community Services.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from The Cancer Institute (capital grants); Western Sydney Local Health District; Health Education and Training Institute; the Agency for Clinical Innovation; and Health Administration Corporation.</p> <p>'Other Grants' includes funding for breast care nursing; medical training; and chemotherapy.</p>				
12. Acceptance by the Crown Entity of Employee Benefits				
<p>The following liabilities and expenses have been assumed by the Crown Entity:</p>				
----	----	Superannuation-defined benefit	4,441	4,828
----	----	Long Service Leave	8,230	22,583
----	----		12,671	27,411
13. Other Revenue				
<p>Other Revenue comprises the following:-</p>				
7	23	Bad Debts Recovered	7	23
126	120	Commissions	126	120
13	13	Conference and Training Fees	13	13
----	353	Discounts received	----	353
339	80	Insurance Refunds	339	80
942	935	Lease and Rental	942	935
101	70	Sale of Merchandise, Old Wares and Books	101	70
59	----	Sponsorship	59	----
2,759	4,709	Treasury Managed Fund Hindsight Adjustment	2,759	4,709
4,074	2,725	Other	4,074	2,725
8,420	9,028		8,420	9,028

Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.
'Other' revenue comprises various revenue, including the annual transfer of residual staff specialist Trust monies to Restricted Financial Assets.

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		14. Gain / (Loss) on Disposal		
4,711	8,187	Property, Plant and Equipment	4,711	8,187
(4,303)	(7,040)	Accumulated Depreciation	(4,303)	(7,040)
<u>408</u>	<u>1,147</u>	Written Down Value	<u>408</u>	<u>1,147</u>
774	826	Proceeds from Disposal	774	826
		Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>366</u>	<u>(321)</u>
10	358	Assets Held for Sale	10	358
49	----	Proceeds from Disposal	49	----
<u>39</u>	<u>(358)</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>39</u>	<u>(358)</u>
		Total Gain/(Loss) on Disposal	<u>405</u>	<u>(679)</u>
<u>405</u>	<u>(679)</u>			
		15. Other Gains / (Losses)		
(414)	(623)	Impairment of Receivables	(414)	(623)
<u>(414)</u>	<u>(623)</u>		<u>(414)</u>	<u>(623)</u>

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PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	5,893	3	3,898	9,794
Contributions recognised in previous years which were not expended in the current reporting period	305	94	8,623	9,022
Total amount of unexpended contributions as at reporting date	6,198	97	12,521	18,816

Comment on restricted assets appears in Note 23

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
17. Cash and Cash Equivalents				
18,014	10,272	Cash at Bank and On Hand	18,014	10,272
13,952	10,200	Short Term Deposits	13,952	10,200
<u>31,966</u>	<u>20,472</u>		<u>31,966</u>	<u>20,472</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
31,966	20,472	Cash and Cash Equivalents (per Statement of Financial Position)	31,966	20,472
<u>31,966</u>	<u>20,472</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>31,966</u>	<u>20,472</u>

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		18. Receivables		
		Current		
6,238	6,416	Sale of Goods and Services	6,238	6,416
6,809	7,687	Intra Health Receivables	6,809	7,687
5,248	4,177	Goods and Services Tax	5,248	4,177
3,796	6,038	Other Debtors	3,796	6,038
<u>22,091</u>	<u>24,318</u>	Sub Total	<u>22,091</u>	<u>24,318</u>
(325)	(305)	Less Allowance for Impairment	(325)	(305)
21,766	24,013	Sub Total	21,766	24,013
1,839	2,652	Prepayments	1,839	2,652
<u>23,605</u>	<u>26,665</u>		<u>23,605</u>	<u>26,665</u>
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation and the immediate parent.</p> <p>'Prepayments' include some balances with Health Administration Corporation, an entity controlled by the immediate parent.</p> <p>'Other Debtors' includes salaries and wages and annual leave recoveries relating to the Public Private Partnership operating at Bathurst and Orange.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(227)	(142)	Balance at Commencement of Reporting Period	(227)	(142)
379	491	Amounts written off during the period	379	491
7	23	Amounts recovered during the period	7	23
(375)	(600)	(Increase)/decrease in Allowance Recognised in the Net Result	(375)	(600)
(216)	(227)	Balance at 30 June	(216)	(227)
b) Movement in the Allowance for Impairment				
Other Debtors				
(78)	(74)	Balance at Commencement of Reporting Period	(78)	(74)
----	21	Amounts written off during the period	----	21
34	----	Amounts recovered during the period	34	----
(65)	(25)	(Increase)/decrease in Allowance Recognised in the Net Result	(65)	(25)
(109)	(78)	Balance at 30 June	(109)	(78)
<u>(325)</u>	<u>(305)</u>		<u>(325)</u>	<u>(305)</u>
Non-Current				
98	169	Sale of Goods and Services	98	169
249	287	Other Debtors	249	287
347	456	Sub Total	347	456
(107)	(166)	Less Allowance for Impairment	(107)	(166)
240	290	Sub Total	240	290
----	431	Prepayments	----	431
<u>240</u>	<u>721</u>		<u>240</u>	<u>721</u>

Western 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
		18. Receivables		
		a) Movement in the Allowance for Impairment Sale of Goods and Services		
(6)	(6)	Balance at Commencement of Reporting Period	(6)	(6)
(21)	-----	(Increase)/decrease in Allowance Recognised in the Net Result	(21)	-----
(27)	(6)	Balance at 30 June	(27)	(6)
		b) Movement in the Allowance for Impairment Other Debtors		
(160)	(162)	Balance at Commencement of Reporting Period	(160)	(162)
33	-----	Amounts written off during the period	33	-----
47	2	(Increase)/decrease in Allowance Recognised in the Net Result	47	2
(80)	(160)	Balance at 30 June	(80)	(160)
(107)	(166)		(107)	(166)
		c)		
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
805	1,030	Patient Fees - Compensable	805	1,030
179	269	Patient Fees - Ineligible	179	269
3,518	3,847	Patient Fees - Inpatient & Other	3,518	3,847
4,502	5,146		4,502	5,146

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		19. Inventories		
1,306	1,190	Drugs	1,306	1,190
1,431	1,621	Medical and Surgical Supplies	1,431	1,621
-----	34	Other Including Goods in Transit	-----	34
<u>2,737</u>	<u>2,845</u>		<u>2,737</u>	<u>2,845</u>

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,454,450	1,380,283	Gross Carrying Amount	1,454,450	1,380,283
<u>573,823</u>	<u>502,752</u>	Less: Accumulated Depreciation and Impairment	<u>573,823</u>	<u>502,752</u>
<u>880,627</u>	<u>877,531</u>	Net Carrying Amount	<u>880,627</u>	<u>877,531</u>
Plant and Equipment - Fair Value*				
121,259	102,032	Gross Carrying Amount	121,259	102,032
<u>52,976</u>	<u>46,995</u>	Less: Accumulated Depreciation and Impairment	<u>52,976</u>	<u>46,995</u>
<u>68,283</u>	<u>55,037</u>	Net Carrying Amount	<u>68,283</u>	<u>55,037</u>
Infrastructure Systems - Fair Value				
87,484	77,213	Gross Carrying Amount	87,484	77,213
<u>35,025</u>	<u>31,983</u>	Less: Accumulated Depreciation and Impairment	<u>35,025</u>	<u>31,983</u>
<u>52,459</u>	<u>45,230</u>	Net Carrying Amount	<u>52,459</u>	<u>45,230</u>
Leasehold Improvements - Fair Value*				
2,868	2,867	Gross Carrying Amount	2,868	2,867
<u>1,856</u>	<u>1,518</u>	Less: Accumulated Depreciation and Impairment	<u>1,856</u>	<u>1,518</u>
<u>1,012</u>	<u>1,349</u>	Net Carrying Amount	<u>1,012</u>	<u>1,349</u>
<u>1,002,381</u>	<u>979,147</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,002,381</u>	<u>979,147</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.

PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	15,163	862,368	55,037	45,230	1,349	979,147
Additions	----	25,801	13,834	4,760	----	44,395
Recognition of Assets Held for Sale	(105)	(41)	----	----	----	(146)
Disposals	(46)	----	(362)	----	----	(408)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	669	----	----	669
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	19,004	3,104	----	4,444	----	26,552
Depreciation Expense	----	(35,530)	(9,986)	(1,975)	(337)	(47,828)
Reclassifications	----	(9,091)	9,091	----	----	----
Net carrying amount at end of year	34,016	846,611	68,283	52,459	1,012	1,002,381

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	16,136	862,852	43,846	43,912	1,686	968,432
Additions	----	36,487	18,729	3,259	----	58,475
Recognition of Assets Held for Sale	(560)	----	----	----	----	(560)
Disposals	(413)	(200)	(534)	----	----	(1,147)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	1,256	----	----	1,256
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Depreciation Expense	----	(36,754)	(8,277)	(1,941)	(337)	(47,309)
Reclassifications	----	(17)	17	----	----	----
Net carrying amount at end of year	15,163	862,368	55,037	45,230	1,349	979,147

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

Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 1(k)].

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		21. Non-Current Assets Held for Sale		
		Assets Held for Sale		
		Land and Buildings		
1,152	1,016		1,152	1,016
<u>1,152</u>	<u>1,016</u>		<u>1,152</u>	<u>1,016</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.

These assets comprise land and buildings associated with properties in Molong and the former Orange Base Hospital and Parkes Hospital sites.

Western NSW Local Health District
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PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	5,390	830,171	835,561
- Infrastructure Systems	----	----	46,038	46,038
Non-Current Assets Held for Sale (Note 21)	----	1,152	----	1,152
	-----	-----	-----	-----
	<u>-----</u>	<u>6,542</u>	<u>876,209</u>	<u>882,751</u>

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

The above figures exclude Work in Progress and Newly Completed Projects which are carried at cost, and as a result they will not agree to Note 20.

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	7,561	690,061	697,622
- Infrastructure Systems	----	----	42,781	42,781
Non-Current Assets Held for Sale (Note 21)	----	1,016	----	1,016
	-----	-----	-----	-----
	<u>-----</u>	<u>8,577</u>	<u>732,842</u>	<u>741,419</u>

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

The above figures exclude Work in Progress and Newly Completed Projects which are carried at cost, and as a result they will not agree to Note 20.

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

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

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

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

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

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

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

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

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

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PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	690,061	42,781	732,842
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	25,186	4,444	29,630
Transfers from Level 2	148,905	----	148,905
Transfers to Level 2	----	----	----
Disposals	(80)	----	(80)
Depreciation	(35,376)	(1,975)	(37,351)
Reclassification	1,476	788	2,264
Fair value as at 30 June 2017	<u>830,171</u>	<u>46,038</u>	<u>876,209</u>

There were transfers between Level 2 during the period due to the reclassification of Work in Progress and allocation of asset to Held for Sale.

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	725,986	44,722	770,708
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	----	----	----
Transfers from Level 2	----	----	----
Transfers to Level 2	(560)	----	(560)
Disposals	(613)	----	(613)
Depreciation	(34,735)	(1,941)	(36,676)
Reclassification	(17)	----	(17)
Fair value as at 30 June 2016	<u>690,061</u>	<u>42,781</u>	<u>732,842</u>

There were transfers between Level 2 during the period due to the reclassification of Work in Progress and allocation of assets to Held for Sale.

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		23. Restricted Assets		
<p>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.</p>				
Category				
12,686	5,200	Specific Purposes	12,686	5,200
6,130	5,685	Private Practice Funds	6,130	5,685
<hr/> 18,816	<hr/> 10,885		<hr/> 18,816	<hr/> 10,885

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		24. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	14,081	11,995
----	----	Taxation and Payroll Deductions	1,633	1,518
15,714	13,513	Accrued Liability - Purchase of Personnel Services	----	----
24,319	22,824	Creditors	24,319	22,824
		Other Creditors		
		- Payables to entities controlled by the immediate parent	4,793	3,784
4,793	3,784	- Other	12,944	9,915
12,944	9,915			
<u>57,770</u>	<u>50,036</u>		<u>57,770</u>	<u>50,036</u>

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

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

'Other' includes accruals related to the Public Private Partnership and Dental Services.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

25. Borrowings

		Current		
571	9	Other Loans and Deposits	571	9
576	164	Public Private Partnership	576	164
<u>1,147</u>	<u>173</u>		<u>1,147</u>	<u>173</u>
		Non-Current		
4,771	63	Other Loans and Deposits	4,771	63
161,351	161,927	Public Private Partnership	161,351	161,927
<u>166,122</u>	<u>161,990</u>		<u>166,122</u>	<u>161,990</u>

'Other Loans and Deposits' represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

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

Final Repayment of the Public Private Partnership borrowings is scheduled for September 2035.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 36.

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
25. Borrowings				
a) Finance Leases				
Minimum lease payments in relation to finance leases are payable as follows:				
16,381	16,120	Not later than one year	16,381	16,120
69,514	68,407	Later than one year and not later than five years	69,514	68,407
<u>289,686</u>	<u>310,138</u>	Later than five years	<u>289,686</u>	<u>310,138</u>
375,581	394,665	Minimum Lease Payments	375,581	394,665
<u>213,654</u>	<u>232,574</u>	Less: Future Finance Charges	<u>213,654</u>	<u>232,574</u>
<u>161,927</u>	<u>162,091</u>	Present Value of Minimum Lease Payments	<u>161,927</u>	<u>162,091</u>
The present value of finance lease payments is as follows:				
576	164	Not later than one year	576	164
7,434	5,231	Later than one year and not later than five years	7,434	5,231
<u>153,917</u>	<u>156,696</u>	Later than five years	<u>153,917</u>	<u>156,696</u>
<u>161,927</u>	<u>162,091</u>	Present Value of Minimum Lease Payments Classified as:	<u>161,927</u>	<u>162,091</u>
576	164	Current (Note 25)	576	164
<u>161,351</u>	<u>161,927</u>	Non-Current (Note 25)	<u>161,351</u>	<u>161,927</u>
<u>161,927</u>	<u>162,091</u>		<u>161,927</u>	<u>162,091</u>

In December 2007, a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle would also refurbish existing buildings and provide facilities management services for these hospital facilities and the new Bathurst Hospital under a Project Deed.

In 2008/09, NSW Health requested a contract variation to expand the Orange Hospital and health facilities to accommodate additional clinical services. Following the change procedures in the Project Deed and subsequently government approval, the Project Deed was amended through the Deed of Amendment No. 1 in June 2010.

Upon construction completion of the new facilities including the Orange Hospital in March 2011, Western NSW Local Health District (LHD) recognised these facilities as an asset of \$162.1 million under the original PPP financing arrangements. In addition, the District recognised the liability to Pinnacle Healthcare, payable over the period to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
26. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	45,393	43,603
----	----	Annual Leave - Long Term Benefit	10,910	10,642
----	----	Long Service Leave Consequential On-Costs	9,810	9,844
----	----	Sick Leave	8	8
67,219	64,097	Provision for Personnel Services Liability	----	----
----	----	Accrued Days Off	1,098	----
67,219	64,097		67,219	64,097
Non-Current				
----	----	Long Service Leave Consequential On-Costs	853	856
853	856	Provision for Personnel Services Liability	----	----
853	856		853	856
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	67,219	64,097
----	----	Provisions - Non-Current	853	856
----	----	Accrued Salaries, Wages and On-Costs (Note 24)	15,714	13,513
83,786	78,466	Liability - Purchase of Personnel Services	----	----
83,786	78,466		83,786	78,466
27. Other Liabilities				
Current				
20	94	Income in Advance	20	94
20	94		20	94

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
28. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
33,550	15,462	Not later than one year	33,550	15,462
3,515	8,618	Later than one year and not later than five years	3,515	8,618
-----	-----	Later than five years	-----	-----
<u>37,065</u>	<u>24,080</u>	Total Capital Expenditure Commitments (Including GST)	<u>37,065</u>	<u>24,080</u>

The majority of the above capital commitments for the current year include capital expenditure commitments relating to Health Administration Corporation, an entity controlled by the immediate parent.

b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
4,080	4,226	Not later than one year	4,080	4,226
5,617	6,488	Later than one year and not later than five years	5,617	6,488
40	-----	Later than five years	40	-----
<u>9,737</u>	<u>10,714</u>	Total Operating Lease Commitments (Including GST)	<u>9,737</u>	<u>10,714</u>

The operating lease commitments above are for motor vehicles, medical equipment and real property.

The above operating lease commitments include \$0.3 million in property rental relating to an entity controlled by a Board member.

- c) **Contingent Asset Related to Commitments for Expenditure**
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$46.8 million as at 30 June 2017 includes input tax credits of \$0.8 million that are expected to be recoverable from the Australian Taxation Office (2016: \$0.9 million).

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29. Trust Funds

The District holds trust funds of \$970 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	341	317	2,944	3,712	330	186	3,616	4,216
Revenue	791	788	9,952	8,657	17,302	18,980	28,045	28,425
Expenses	(855)	(764)	(12,509)	(9,425)	(17,327)	(18,836)	(30,691)	(29,025)
Balance at the end of the financial year	277	341	387	2,944	305	330	970	3,616

Western NSW Local Health District
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PARENT AND CONSOLIDATED

30. Contingent Liabilities and Assets

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

Western NSW Local Health District
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
49,961	60,973	Net Cash Flows from Operating Activities	49,961	60,973
(47,828)	(47,309)	Depreciation and Amortisation	(47,828)	(47,309)
(414)	(623)	Allowance for Impairment	(414)	(623)
74	23	(Increase)/ Decrease Income in Advance	74	23
(3,119)	(3,192)	(Increase)/ Decrease in Provisions	(3,119)	(3,192)
(3,275)	1,560	Increase / (Decrease) in Prepayments and Other Assets	(3,275)	1,560
(7,695)	1,650	(Increase)/ Decrease in Payables from Operating Activities	(7,695)	1,650
405	(679)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	405	(679)
669	----	Assets donated or brought to account for the first time	669	----
(11,222)	12,403	Net Result	(11,222)	12,403
32. Non-Cash Financing and Investing Activities				
669	486	Assets Received by Donation	669	486
669	486		669	486

33. 2016/17 Voluntary Services

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

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

34. Unclaimed Monies

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

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

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

PARENT AND CONSOLIDATION

35. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$2.7 million, primarily due to increased revenue. Increases were from sources such as private patient admissions; increased numbers of staff specialists; and high cost drugs due to a full year's operations with Hepatitis C medications on the Pharmaceutical Benefits Scheme. An additional \$1.5 million was also received in the form of capital, chemotherapy and Primary Health Network grants, which were one-off in nature.

Assets and Liabilities

Total Assets were \$45 million higher than the adjusted budget position. Current Assets were \$23 million higher due to a number of factors including those detailed in the 'Cash Flows' section below. Non-Current Assets were \$22 million higher than the adjusted budget primarily due to the comprehensive property revaluation undertaken in the current year.

Total Liabilities were \$16 million higher than the adjusted budget position. Current Liabilities were \$12 million higher as a result of timing differences between recognition of employee related expenses and payment cycles; drawdown of energy efficiency loans from NSW Treasury; increased payments associated with PPP borrowings in the coming year; and accrual of time in lieu and the impact of the 2018 award increase on annual leave provisions. Non-Current Liability variances are not considered material.

Cash Flows

Net cash inflows from operating activities were higher than budget due to the commencement of a number of initiatives later than initially anticipated, combined with strong revenue flows including Treasury Managed Fund hindsight adjustments and patient fees associated with high private health insurance conversion rates.

Net cash outflows from investing activities were lower than budget as a result of plant and equipment purchases being marginally lower than forecast, combined with the receipt of unbudgeted sale proceeds relating to a parcel of land at Orange.

Net cash inflows from financing activities occurred as a result of the delayed energy efficiency program implementation due to an unseasonably wet winter, resulting in delayed loan drawdown and repayments. Budgeted repayments were also high, given loan arrangements had not been finalised at the time of formulation.

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

	\$000
Initial Allocation, 1 July 2016	646,322
Award Increases	10,864
Special Projects:	
Integrated Care Demonstrator Program	6,886
Mental Health Innovation Fund	525
National Partnership Agreement on Adult Public Dental Services	900
Nursing and Midwifery Initiatives and Enhancements	802
Other:	
Base FY17 Growth - NWAU	5,743
Bed Replacement Program	1,484
Cancer Services	1,425
Health Wide Area Network Program Additional Funding	833
Isolated Patients Travel and Accommodation Assistance Scheme	1,001
Miscellaneous	7,958
Obstetric and Anaesthetic Incentive Grants	493
Small Hospitals Adjustment	1,491
Voluntary Redundancy	342
	687,070
Balance as per Statement of Comprehensive Income	687,070

36. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2017 \$000	2016 \$000
Cash and Cash Equivalents (note 17)	N/A	31,966	20,472
Receivables (note 18)*	Loans and receivables (at amortised cost)	16,758	20,126
		48,724	40,598
Financial Liabilities			
Borrowings (note 25)	Financial liabilities measured at amortised cost	167,269	162,163
Payables (note 24)**		57,770	50,036
		225,039	212,199

Notes

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

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

(b) Credit Risk

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

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

Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

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% in 2016/17 compared to 3% 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: \$8.4M; 2016: \$11.7M) and not more than 3 months past due (2017: \$1M; 2016: \$0.7M) 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.

Western NSW Local Health District
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36. Financial Instruments

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. Private Patient Fees represent the majority of financial assets that are past due or impaired.

	Total ^{1,2}	Past due but not impaired ^{1,2}		Considered impaired ^{1,2}
	\$000	\$000	\$000	\$000
2017				
<3 months overdue	996	955	41	
3 months - 6 months overdue	220	183	37	
> 6 months overdue	746	392	354	
2016				
<3 months overdue	747	727	20	
3 months - 6 months overdue	231	194	37	
> 6 months overdue	484	231	253	

Notes

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

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

(c) Liquidity Risk

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

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

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

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

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

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

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

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36. 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

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2017								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		15,714	----	----	15,714	15,714	----	----
- Creditors		42,056	----	----	42,056	42,056	----	----
Borrowings:								
- Loans and Deposits	3%	6,077	6,077	----	----	722	2,890	2,465
- Public Private Partnership	10%	375,581	----	375,581	----	16,381	69,514	289,686
		<u>439,428</u>	<u>6,077</u>	<u>375,581</u>	<u>57,770</u>	<u>74,873</u>	<u>72,404</u>	<u>292,151</u>
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		13,513	----	----	13,513	13,513	----	----
- Creditors		36,523	----	----	36,523	36,523	----	----
Borrowings:								
- Loans and Deposits	2%	80	80	----	----	11	46	23
- Public Private Partnership	10%	394,665	----	394,665	----	16,120	68,407	310,138
		<u>444,781</u>	<u>80</u>	<u>394,665</u>	<u>50,036</u>	<u>66,167</u>	<u>68,453</u>	<u>310,161</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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36. Financial Instruments

(d) Market Risk

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

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

Interest rate risk

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2017					
Financial Assets					
Cash and Cash Equivalents	31,966	(320)	(320)	320	320
Receivables	16,758	----	----	----	----
Financial Liabilities					
Payables*	57,770	----	----	----	----
Borrowings	167,269	1,673	1,673	(1,673)	(1,673)
2016					
Financial Assets					
Cash and Cash Equivalents	20,472	(205)	(205)	205	205
Receivables	20,126	----	----	----	----
Financial Liabilities					
Payables*	50,036	----	----	----	----
Borrowings	162,163	1,622	1,622	(1,622)	(1,622)

37. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017 \$000
Short-term employee benefits	726
Post-employment benefits	43
	<u>769</u>

During the financial year, Western NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$0.359 million 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

Grants received by a General Practice controlled by one of the key management personnel:

A grant was provided to Molong HealthOne General Practice as part of the District's Integrated Care Program. The grant was awarded under an expression of interest process to general practices. Grants and terms are decided according to District policies. The total grant amount during the year was \$0.390 million.

Lease of property controlled by one of the key management personnel:

The District leased office accommodation from a superannuation fund controlled by one of its key management personnel. The lease is in accordance with standard market terms and conditions. The total paid during the year was \$0.159 million.

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

38. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS