

**Central Coast
Local Health District**

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Central Coast Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Central Coast Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2018, 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 fulfilled my other ethical responsibilities in accordance with APES 110.

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

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

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

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ac). 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 Responsibilities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

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

My opinion does not provide assurance:

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

S Bond .

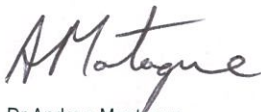
Sally Bond
Director, Financial Audit Service

30 August 2018
SYDNEY

**Central Coast Local Health District
Certification of the Financial Statements
for the year ended 30 June 2018**

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

- 1) The financial statements of the Central Coast Local Health District for the year ended 30 June 2018 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Central Coast 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.



Dr Andrew Montague

Chief Executive

29 Aug 2018



Tom Mayne

Acting Executive Director Finance
& Corporate Services

29 Aug 2018

Central Coast Local Health District
Statement of Financial Position as at 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
22,622	23,364	24,655		22,622	23,364	24,655
16,713	15,508	14,313	14	16,713	15,508	14,313
4,351	5,000	4,999	15	4,351	5,000	4,999
7,865	7,409	7,409	16	7,865	7,409	7,409
<u>51,551</u>	<u>51,281</u>	<u>51,376</u>	17	<u>51,551</u>	<u>51,281</u>	<u>51,376</u>
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
733,665	731,796	625,510		733,665	731,796	625,510
35,803	33,195	25,520	18	35,803	33,195	25,520
15,270	16,781	16,782	18	15,270	16,781	16,782
1,264	2,207	1,595	18	1,264	2,207	1,595
<u>786,002</u>	<u>783,979</u>	<u>669,407</u>		<u>786,002</u>	<u>783,979</u>	<u>669,407</u>
<u>786,002</u>	<u>783,979</u>	<u>669,407</u>		<u>786,002</u>	<u>783,979</u>	<u>669,407</u>
<u>837,553</u>	<u>835,260</u>	<u>720,783</u>		<u>837,553</u>	<u>835,260</u>	<u>720,783</u>
Total Non-Current Assets						
Total Assets						
LIABILITIES						
Current Liabilities						
41,067	41,641	39,998		41,067	41,641	39,998
83,232	79,087	74,084	21	83,232	79,087	74,084
1,304	1,164	1,096	22	1,304	1,164	1,096
<u>125,603</u>	<u>121,892</u>	<u>115,178</u>	23	<u>125,603</u>	<u>121,892</u>	<u>115,178</u>
Total Current Liabilities						
Non-Current Liabilities						
943	943	789		943	943	789
<u>943</u>	<u>943</u>	<u>789</u>	22	<u>943</u>	<u>943</u>	<u>789</u>
<u>126,546</u>	<u>122,835</u>	<u>115,967</u>		<u>126,546</u>	<u>122,835</u>	<u>115,967</u>
<u>711,007</u>	<u>712,425</u>	<u>604,816</u>		<u>711,007</u>	<u>712,425</u>	<u>604,816</u>
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						
EQUITY						
49,894	49,894	49,894		49,894	49,894	49,894
661,113	662,531	554,922		661,113	662,531	554,922
<u>711,007</u>	<u>712,425</u>	<u>604,816</u>		<u>711,007</u>	<u>712,425</u>	<u>604,816</u>
Total Equity						

The accompanying notes form part of these financial statements.

Central Coast Local Health District
Statement of Changes in Equity for the year ended 30 June 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2017		554,922	49,894	604,816
Total Equity at 1 July 2017		554,922	49,894	604,816
Net Result for the year		106,191	-----	106,191
Other Comprehensive Income:				
Total Other Comprehensive Income		-----	-----	-----
Total Comprehensive Income for the year		106,191	-----	106,191
Balance at 30 June 2018		661,113	49,894	711,007
Balance at 1 July 2016		448,670	40,021	488,691
Total Equity at 1 July 2016		448,670	40,021	488,691
Net Result for the year		106,982	-----	106,982
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	18	-----	9,143	9,143
Available for Sale Financial Assets:				
Transfers on Disposal		(730)	730	-----
Total Other Comprehensive Income		(730)	9,873	9,143
Total Comprehensive Income for the year		106,252	9,873	116,125
Balance at 30 June 2017		554,922	49,894	604,816

The accompanying notes form part of these financial statements.

Central Coast Local Health District
Statement of Cash Flows for the year ended 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-----	-----	-----				
(249,234)	(249,802)	(270,178)		(558,567)	(561,738)	(528,157)
(8,809)	(8,730)	(8,017)		(249,234)	(249,802)	(270,178)
(558,567)	(561,738)	(528,157)		(8,809)	(8,730)	(8,017)
				-----	-----	-----
(816,610)	(820,270)	(806,352)		(816,610)	(820,270)	(806,352)
Receipts						
668,639	668,638	635,353		668,639	668,638	635,353
142,791	141,788	123,924		142,791	141,788	123,924
8,973	8,973	7,748		8,973	8,973	7,748
96,210	101,456	119,605		96,210	101,456	119,605
779	358	966		779	358	966
14,564	15,672	14,910		14,564	15,672	14,910
24,040	21,095	36,920		24,040	21,095	36,920
				-----	-----	-----
955,996	957,980	939,426		955,996	957,980	939,426
<u>139,386</u>	<u>137,710</u>	<u>133,074</u>		<u>139,386</u>	<u>137,710</u>	<u>133,074</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES			26			
CASH FLOWS FROM INVESTING ACTIVITIES						
117	-----	144		117	-----	144
(141,080)	(139,001)	(126,776)		(141,080)	(139,001)	(126,776)
(456)	-----	(626)		(456)	-----	(626)
				-----	-----	-----
(141,419)	(139,001)	(127,258)		(141,419)	(139,001)	(127,258)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
(2,033)	(1,291)	5,816		(2,033)	(1,291)	5,816
24,655	24,655	18,839		24,655	24,655	18,839
				-----	-----	-----
<u>22,622</u>	<u>23,364</u>	<u>24,655</u>		<u>22,622</u>	<u>23,364</u>	<u>24,655</u>
CLOSING CASH AND CASH EQUIVALENTS			14			

The accompanying notes form part of these financial statements.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

The District 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).

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 Note 20), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.

* The Central Coast Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive on 29 Aug 2018.

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 the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. 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(ac).

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

The Secretary of NSW Health, the Chair of the Central Coast Local Health District Board and the Chief Executive, through the Performance Agreement have agreed to service and funding levels for the forward financial year. The Performance 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 Performance 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 Performance Agreement performance standards, the NSW 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 NSW Ministry of Health.

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 NSW Ministry of Health 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' 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. **Statement 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.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

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 and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) 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 and ADO are not expected to be settled wholly before 12 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 17.3% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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 22.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. **Statement of Significant Accounting Policies**

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) **Grants and Subsidies**

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the District and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer 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.

Motor Accident Authority Third Party

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 NSW Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Use of Hospital Facilities

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

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

Refer to Note 7 (b) for further details.

Use of Outside Facilities

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

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

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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

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

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

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

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

j) Interstate Patient Flows

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

k) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

l) Capitalisation Thresholds

Property, plant and equipment costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

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	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%

"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.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 18 and Note 19 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

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

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

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

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

o) Impairment of Property, Plant and Equipment

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

On initial recognition, the present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

q) Investment Properties

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

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

r) 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.

s) 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.

t) Inventories

Inventories held for distribution are stated 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. Cost is calculated using the weighted average cost method.

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

u) 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

v) Investments

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

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

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

TCorpIM Funds investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the District's key management personnel.

The risk management strategy of the District has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

TCorpIM Funds investment are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the TCorpIM Funds investment incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

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

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

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

w) 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 certain categories of financial assets, such as trade receivables, the entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

x) 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.

y) 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.

z) 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 19 and Note 31 for further disclosures regarding fair value measurements of non-financial and financial assets.

aa) 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).

ab) Trust Funds

The District receives monies in a trustee capacity for various trusts as set out in Note 25.

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.

ac) Adjusted Budget 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 Performance 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 30.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note of these financial statements.

(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 the District have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments 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 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 Leases replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

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 Revenue from Contracts with Customers 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 Income of Not-for-Profit Entities 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 these financial statements.

1. Statement of Significant Accounting Policies

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the "financial liability" model applying AASB 9 Financial Instruments or, the "grant of right" model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential Impact on The District's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as a current liability.
- * Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- * Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of The District.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Financial Instruments

- * The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Service Concession Arrangements

- * No significant impact expected on The District.

Application Date

The District plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		2. Employee Related Expenses		
-----	-----	Salaries and Wages (including annual leave and ADO)	502,140	475,669
-----	-----	Superannuation - Defined Benefit Plans	3,335	3,506
-----	-----	Superannuation - Defined Contribution Plans	44,020	41,616
-----	-----	Long Service Leave	20,090	9,686
-----	-----	Redundancies	508	720
-----	-----	Workers' Compensation Insurance	9,297	8,501
-----	-----	Fringe Benefits Tax	109	148
-----	-----		<u>579,499</u>	<u>539,846</u>
-----	-----			
		3. Personnel Services		
502,140	475,669	Salaries and Wages	-----	-----
44,020	41,616	Superannuation - Defined Contribution Plans	-----	-----
1,933	164	Long Service Leave	-----	-----
508	720	Redundancies	-----	-----
9,297	8,501	Workers' Compensation Insurance	-----	-----
109	148	Fringe Benefits Tax	-----	-----
-----	-----		<u>-----</u>	<u>-----</u>
<u>558,007</u>	<u>526,818</u>		<u>-----</u>	<u>-----</u>

Personnel services of Central Coast Local Health District was provided by its controlled entity, Central Coast Local Health District Special Purpose Service Entity.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
4. Other Expenses				
160	143	Advertising	160	143
194	192	Auditor's Remuneration - Audit of Financial Statements	194	192
5,125	5,295	Blood and Blood Products	5,125	5,295
173	176	Consultancies	173	176
51	325	Contractors	51	325
8,932	8,688	Domestic Supplies and Services	8,932	8,688
35,868	58,643	Drug Supplies	35,868	58,643
15,199	15,122	Food Supplies	15,199	15,122
5,300	4,531	Fuel, Light and Power	5,300	4,531
7,330	5,221	Patient Transport Costs	7,330	5,221
11,446	10,201	Information Management Expenses	11,446	10,201
584	639	Insurance	584	639
19,269	13,815	Maintenance (See 4(b) below)	19,269	13,815
29,264	28,569	Medical and Surgical Supplies	29,264	28,569
1,214	1,243	Motor Vehicle Expenses	1,214	1,243
1,557	1,525	Postal and Telephone Costs	1,557	1,525
1,758	1,609	Printing and Stationery	1,758	1,609
771	1,087	Rates and Charges	771	1,087
1,748	1,877	Rental	1,748	1,877
8,822	7,217	Hosted Services Purchased from entities controlled by the immediate parent	8,822	7,217
27,367	27,019	Specialised Services (Dental, Radiology, Pathology, Allied Health, Dialysis, Psychology, Respite & Cancer)	27,367	27,019
1,928	2,147	Staff Related Costs	1,928	2,147
2,407	2,071	Travel Related Costs	2,407	2,071
13,139	14,751	Other (See 4(a) below)	13,139	14,751
<u>199,606</u>	<u>212,106</u>		<u>199,606</u>	<u>212,106</u>

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		4. Other Expenses		
		a) Other Includes:		
341	217	Contract for Patient Services	341	217
5,535	5,917	Corporate Support Services	5,535	5,917
354	339	Courier and Freight	354	339
166	77	Isolated Patient Travel and Accommodation Assistance Scheme	166	77
24	219	Legal Services	24	219
678	625	Membership/Professional Fees	678	625
1,035	1,155	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,035	1,155
41	1	Other Operating Lease Expense - Minimum Lease Payments	41	1
21	2	Quality Assurance/Accreditation	21	2
998	813	Security Services	998	813
3,946	5,386	Other Miscellaneous	3,946	5,386
13,139	14,751		13,139	14,751
		b) Reconciliation of Total Maintenance		
5,471	4,725	Maintenance Contracts	5,471	4,725
9,224	4,498	New/Replacement Equipment under \$10,000	9,224	4,498
4,549	4,592	Repairs Maintenance/Non Contract	4,549	4,592
25	-----	Other	25	-----
19,269	13,815	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	19,269	13,815
2,307	1,826	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,307	1,826
21,576	15,641		21,576	15,641

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

'Patient 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 'Food Supplies', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

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

Some 'Domestic Supplies and Services', 'Corporate Support Services' and Consultancies expenses were paid to entities controlled by the immediate parent.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
17,246	15,902	Depreciation - Buildings	17,246	15,902
5,282	4,887	Depreciation - Plant and Equipment	5,282	4,887
1,512	1,471	Depreciation - Infrastructure Systems	1,512	1,471
352	90	Amortisation - Leasehold Improvements	352	90
<u>24,392</u>	<u>22,350</u>		<u>24,392</u>	<u>22,350</u>
6. Grants and Subsidies				
2,958	2,722	Non-Government Organisations	2,958	2,722
127	134	Grants to Research Organisations	127	134
246	218	Grants paid to entities controlled by the immediate parent	246	218
4,633	4,172	Other Grants	4,633	4,172
<u>7,964</u>	<u>7,246</u>		<u>7,964</u>	<u>7,246</u>

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
7. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
550	566	Pharmacy Sales	550	566
1,288	1,107	Sale of Prosthesis	1,288	1,107
243	254	Other	243	254
b) Rendering of Services comprise the following:-				
		Patient Fees		
36,022	31,676	- Inpatient Fees	36,022	31,676
56	52	- Nursing Home Fees	56	52
1,383	1,216	- Non Inpatient Fees	1,383	1,216
15,946	19,277	Department of Veterans' Affairs	15,946	19,277
1	1	Staff-Meals and Accommodation	1	1
9,629	9,099	Infrastructure Fees - Monthly Facility Charge	9,629	9,099
3,500	3,274	Infrastructure Fees - Annual Charge	3,500	3,274
593	781	Car Parking	593	781
7	13	Clinical Services (excluding Clinical Drug Trials)	7	13
6	(10)	Commercial Activities	6	(10)
84	118	Fees for Medical Records	84	118
1	2	Information Retrieval	1	2
21,976	44,657	Highly Specialised Drugs	21,976	44,657
8	10	Linen Service Revenues - Entities controlled by immediate parent	8	10
3,114	3,585	Motor Accident Authority Third Party	3,114	3,585
63	68	Private Use of Motor Vehicles	63	68
1,705	1,679	Hosted Services Provided to entities controlled by immediate parent	1,705	1,679
59	69	Services Provided to Non NSW Health Organisations	59	69
228	199	Other	228	199
96,462	117,693		96,462	117,693

The majority of 'Motor Accident Authority Third Party' revenue was received from State Insurance Regulatory Authority (SIRA) an entity controlled by the ultimate parent.

8. Investment Revenue				
776	954	Interest	776	954
3	12	TCorpIM Funds Investment Facilities Designated at Fair Value through Profit or Loss	3	12
779	966		779	966

Investment revenue was received from an entity controlled by the ultimate parent.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Grants and Other Contributions				
986	925	Clinical Drug Trials	986	925
6,060	5,717	Commonwealth Government Grants	6,060	5,717
1,480	1,601	Industry Contributions/Donations	1,480	1,601
1,218	1,746	Cancer Institute Grants	1,218	1,746
		Grants & Contributions received from entities controlled by the ultimate parent		
502	892	Grants & Contributions received from entities controlled by the immediate parent	502	892
387	258	Research Grants	387	258
-----	3	Other Grants	-----	3
<u>2,650</u>	<u>2,719</u>		<u>2,650</u>	<u>2,719</u>
<u>13,283</u>	<u>13,861</u>		<u>13,283</u>	<u>13,861</u>
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from eHealth.</p>				
10. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	3,335	3,506
-----	-----	Long Service Leave	<u>18,157</u>	<u>9,522</u>
<u>-----</u>	<u>-----</u>		<u>21,492</u>	<u>13,028</u>
11. Other Income				
Other Income comprises the following:-				
285	157	Commissions	285	157
332	293	Conference and Training Fees	332	293
-----	104	Discounts received	-----	104
56	-----	Insurance Refunds	56	-----
1,024	1,076	Lease and Rental*	1,024	1,076
-----	3,838	Property not Previously Recognised	-----	3,838
11	2	Sale of Merchandise, Old Wares and Books	11	2
1	6	Sponsorship	1	6
29	6,250	Treasury Managed Fund Hindsight Adjustment	29	6,250
6	4	Unclaimed Deposits	6	4
<u>1,323</u>	<u>768</u>	Other	<u>1,323</u>	<u>768</u>
<u>3,067</u>	<u>12,498</u>		<u>3,067</u>	<u>12,498</u>

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

'Property not Previously Recognised' for 2016/17 contains \$3.8M of land and infrastructure acquired for the Gosford Hospital redevelopment at no cost.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
12. Gain / (Loss) on Disposal				
2,136	16,987	Property, Plant and Equipment	2,136	16,987
<u>(1,993)</u>	<u>(15,759)</u>	Accumulated Depreciation	<u>(1,993)</u>	<u>(15,759)</u>
143	1,228	Written Down Value	143	1,228
117	143	Proceeds from Disposal	117	143
<hr/>				
<u>(26)</u>	<u>(1,085)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(26)</u>	<u>(1,085)</u>
<hr/>				
<u>(26)</u>	<u>(1,085)</u>	Total Gain/(Loss) on Disposal	<u>(26)</u>	<u>(1,085)</u>
<hr/>				
13. Other Gains / (Losses)				
<u>(224)</u>	<u>(248)</u>	Impairment of Receivables	<u>(224)</u>	<u>(248)</u>
<hr/>				
<u>(224)</u>	<u>(248)</u>		<u>(224)</u>	<u>(248)</u>
<hr/>				

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
14. Cash and Cash Equivalents				
22,622	24,655	Cash at Bank and On Hand	22,622	24,655
22,622	24,655		22,622	24,655

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

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:

22,622	24,655	Cash and Cash Equivalents (per Statement of Financial Position)	22,622	24,655
22,622	24,655	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	22,622	24,655

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
15. Receivables				
Current				
5,477	4,811	Sale of Goods and Services	5,477	4,811
4,905	3,181	Intra Health Receivables	4,905	3,181
3,461	3,504	Goods and Services Tax	3,461	3,504
1,653	1,803	Other Debtors	1,653	1,803
<u>15,496</u>	<u>13,299</u>	Sub Total	<u>15,496</u>	<u>13,299</u>
(258)	(198)	Less Allowance for Impairment	(258)	(198)
15,238	13,101	Sub Total	15,238	13,101
1,475	1,212	Prepayments	1,475	1,212
<u>16,713</u>	<u>14,313</u>		<u>16,713</u>	<u>14,313</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 Northern Sydney Local Health District and Health Infrastructure.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(46)	(42)	Balance at Commencement of Reporting Period	(46)	(42)
151	120	Amounts written off during the year	151	120
(234)	(125)	(Increase)/decrease in Allowance Recognised in the Net Result	(234)	(125)
<u>(130)</u>	<u>(47)</u>	Balance at 30 June 2018	<u>(130)</u>	<u>(47)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(152)	(29)	Balance at Commencement of Reporting Period	(152)	(29)
14	1	Amounts written off during the year	14	1
10	(123)	(Increase)/decrease in Allowance Recognised in the Net Result	10	(123)
<u>(128)</u>	<u>(151)</u>	Balance at 30 June 2018	<u>(128)</u>	<u>(151)</u>
<u>(258)</u>	<u>(198)</u>		<u>(258)</u>	<u>(198)</u>
c) The current sale of goods and services balances above include the following patient fee receivables:				
Current include:				
205	158	Patient Fees - Compensable	205	158
253	102	Patient Fees - Ineligible	253	102
3,998	3,925	Patient Fees - Inpatient & Other	3,998	3,925
<u>4,456</u>	<u>4,185</u>		<u>4,456</u>	<u>4,185</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 31.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		16. Inventories		
2,290	2,847	Drugs	2,290	2,847
2,061	2,038	Medical and Surgical Supplies	2,061	2,038
-----	114	Other Including Goods in Transit	-----	114
<u>4,351</u>	<u>4,999</u>		<u>4,351</u>	<u>4,999</u>
		17. Financial Assets at Fair Value		
		Current		
<u>7,865</u>	<u>7,409</u>	TCorpIM Funds Investment Facilities	<u>7,865</u>	<u>7,409</u>
<u>7,865</u>	<u>7,409</u>		<u>7,865</u>	<u>7,409</u>

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
18. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,019,303	893,902	Gross Carrying Amount	1,019,303	893,902
<u>285,638</u>	<u>268,392</u>	Less: Accumulated Depreciation and Impairment	<u>285,638</u>	<u>268,392</u>
<u>733,665</u>	<u>625,510</u>	Net Carrying Amount	<u>733,665</u>	<u>625,510</u>
Plant and Equipment - Fair Value*				
77,614	64,042	Gross Carrying Amount	77,614	64,042
<u>41,811</u>	<u>38,522</u>	Less: Accumulated Depreciation and Impairment	<u>41,811</u>	<u>38,522</u>
<u>35,803</u>	<u>25,520</u>	Net Carrying Amount	<u>35,803</u>	<u>25,520</u>
Infrastructure Systems - Fair Value				
60,353	60,352	Gross Carrying Amount	60,353	60,352
<u>45,083</u>	<u>43,570</u>	Less: Accumulated Depreciation and Impairment	<u>45,083</u>	<u>43,570</u>
<u>15,270</u>	<u>16,782</u>	Net Carrying Amount	<u>15,270</u>	<u>16,782</u>
Leasehold Improvements - Fair Value*				
4,272	4,251	Gross Carrying Amount	4,272	4,251
<u>3,008</u>	<u>2,656</u>	Less: Accumulated Depreciation and Impairment	<u>3,008</u>	<u>2,656</u>
<u>1,264</u>	<u>1,595</u>	Net Carrying Amount	<u>1,264</u>	<u>1,595</u>
<u>786,002</u>	<u>669,407</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>786,002</u>	<u>669,407</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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

18. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net carrying amount at start of year	625,510	25,520	16,782	1,595	669,407
Additions	127,235	13,868	6	21	141,130
Disposals	-----	(143)	-----	-----	(143)
Depreciation Expense	(17,246)	(5,282)	(1,512)	(352)	(24,392)
Reclassifications	(1,834)	1,840	(6)	-----	-----
Net carrying amount at end of year	733,665	35,803	15,270	1,264	786,002

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017					
Net carrying amount at start of year	509,344	26,441	17,326	116	553,227
Additions	125,472	5,063	80	-----	130,615
Disposals	(881)	(347)	-----	-----	(1,228)
Net Revaluation Increment Less Revaluation Decrements	8,296	-----	847	-----	9,143
Depreciation Expense	(15,902)	(4,887)	(1,471)	(90)	(22,350)
Reclassifications	(819)	(750)	-----	1,569	-----
Net carrying amount at end of year	625,510	25,520	16,782	1,595	669,407

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 19.

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

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

19. 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

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	56,648	401,846	458,494
- Infrastructure Systems	-----	-----	15,270	15,270
	-----	<u>56,648</u>	<u>417,116</u>	<u>473,764</u>

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

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

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	56,574	416,846	473,420
- Infrastructure Systems	-----	-----	16,782	16,782
	-----	<u>56,574</u>	<u>433,628</u>	<u>490,202</u>

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

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

b) Valuation Techniques, Inputs and Processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer note 18 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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

19. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	416,846	16,782	433,628
Additions	369	-----	369
Depreciation	(15,369)	(1,512)	(16,881)
Fair value as at 30 June 2018	<u>401,846</u>	<u>15,270</u>	<u>417,116</u>

There were no transfers between Level 2 and 3 during the year ended 30 June 2018.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	421,130	17,326	438,456
Additions	9,589	80	9,669
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	1,672	847	2,519
Depreciation	(15,545)	(1,471)	(17,016)
Fair value as at 30 June 2017	<u>416,846</u>	<u>16,782</u>	<u>433,628</u>

There were no transfers between Level 2 and 3 during the year ended 30 June 2017.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

20. Restricted Assets

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	105	262	426	269
Facility Improvements	5,891	1,488	1,293	5,696
Patient Welfare	2,797	2,461	2,129	2,465
Private Practice Disbursements (No.2 Accounts)	12,581	2,095	4,285	14,771
Public Contributions	549	6	43	586
Research	589	6	68	651
Staff Welfare	8	7	12	13
Training and Education incl. Conferences	4,562	673	915	4,804
	27,082	6,998	9,171	29,255

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		21. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	12,611	10,794
----	----	Taxation and Payroll Deductions	1,601	3,287
14,212	14,081	Accrued Liability - Purchase of Personnel Services	----	----
12,740	12,334	Creditors	12,740	12,334
		Other Creditors		
9,079	7,048	- Payables to entities controlled by the immediate parent	9,079	7,048
5,036	6,535	- Other	5,036	6,535
<u>41,067</u>	<u>39,998</u>		<u>41,067</u>	<u>39,998</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation and Northern Sydney Local Health District entities controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 31.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		22. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	53,954	51,748
----	----	Annual Leave - Long Term Benefit	16,947	12,447
----	----	Long Service Leave Consequential On-Costs	10,847	9,069
----	----	Provision for Other Employee Benefits*	1,484	820
83,232	74,084	Provision for Personnel Services Liability	----	----
<u>83,232</u>	<u>74,084</u>		<u>83,232</u>	<u>74,084</u>
		*ADO liabilities have been reclassified from 'Allocated Day Off Liability' to 'Provision for Other Employee Benefits'.		
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	943	789
943	789	Provision for Personnel Services Liability	----	----
<u>943</u>	<u>789</u>		<u>943</u>	<u>789</u>
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	83,232	74,084
----	----	Provisions - Non-Current	943	789
----	----	Accrued Salaries, Wages and On-Costs (Note 21)	14,212	14,081
98,387	88,954	Liability - Purchase of Personnel Services	----	----
<u>98,387</u>	<u>88,954</u>		<u>98,387</u>	<u>88,954</u>
		23. Other Liabilities		
		Current		
1,304	1,096	Income in Advance	1,304	1,096
<u>1,304</u>	<u>1,096</u>		<u>1,304</u>	<u>1,096</u>

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
24. 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:				
53,694	99,309	Within one year	53,694	99,309
4,962	50,489	Later than one year and not later than five years	4,962	50,489
-----	161	Later than five years	-----	161
<u>58,656</u>	<u>149,959</u>	Total Capital Expenditure Commitments (Including GST)	<u>58,656</u>	<u>149,959</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,839	2,286	Within one year	1,839	2,286
2,984	1,183	Later than one year and not later than five years	2,984	1,183
1,058	646	Later than five years	1,058	646
<u>5,881</u>	<u>4,115</u>	Total Operating Lease Commitments (Including GST)	<u>5,881</u>	<u>4,115</u>
The operating lease commitments above are for property, motor vehicles and medical equipment.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$64.45M million as at 30 June 2018 includes input tax credits of \$5.87M that are expected to be recoverable from the Australian Taxation Office (2017 \$14.00M).				

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

25. Trust Funds

The District holds trust funds of \$442 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.

	Private Practice Trust Funds		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	436	351	70	47	506	398
Revenue	24,314	23,410	27	23	24,341	23,433
Expenses	(24,403)	(23,325)	(2)	-----	(24,405)	(23,325)
Balance at the end of the financial year	347	436	95	70	442	506

Trust Fund categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

The following list provides a brief description of the purpose of the trust fund categories.

Category

Private Practice Trusts	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
26. Reconciliation of Cash Flows from Operating Activities to Net Result				
139,386	133,074	Net Cash Flows from Operating Activities	139,386	133,074
(24,392)	(22,350)	Depreciation and Amortisation	(24,392)	(22,350)
(224)	(248)	Impairment of Receivables	(224)	(248)
(207)	(180)	(Increase)/ Decrease Income in Advance	(207)	(180)
(9,303)	(4,849)	(Increase)/ Decrease in Provisions	(9,303)	(4,849)
2,193	(6,174)	Increase / (Decrease) in Prepayments and Other Assets	2,193	(6,174)
(1,286)	4,957	(Increase)/ Decrease in Payables from Operating Activities	(1,286)	4,957
(26)	(1,085)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(26)	(1,085)
50	3,837	Assets donated or brought to account for the first time	50	3,837
<u>106,191</u>	<u>106,982</u>	Net Result	<u>106,191</u>	<u>106,982</u>
27. Non-Cash Financing and Investing Activities				
50	3,838	Assets Acquired for no consideration	50	3,838
<u>50</u>	<u>3,838</u>		<u>50</u>	<u>3,838</u>

28. 2017/18 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

29. Unclaimed Monies

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.

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT AND CONSOLIDATION

30. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$368 thousand, primarily due to:
the impact of heavy activity demands driving increased costs as well as additional costs incurred from the commissioning of the new Gosford Inpatient facility in April 2018. This was in turn offset by the favourable result in the Restricted Assets.

Assets and Liabilities

Net Assets were \$1.4M lower than budget due to a more than budgeted increase in Staff Provision liabilities of \$4.1M, primarily in Annual Leave liability, this was partially offset by a greater than budgeted movement in Property, Plant & Equipment assets of \$2M being driven by acquisition in equipment for the new Gosford Inpatient facility.

Cash Flows

Net cash and cash equivalents decrease was higher than budget by \$0.7M. This was primarily driven by the increase in Salaries & Wages payables at 30 June 2018 due to the timing of the payroll run compared to the 30 June 2017. This was partially offset by the increase in payments against budget for the acquisition of Property, Plant & Equipment for the new Gosford Inpatient facility.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 20 June 2017 are as follows:

	\$000
Initial Allocation, 20 June 2017	653,739
Keep Them Safe (KTS) project funding	2,841
Integrated Care Initiative funding	3,325
Winter 2017 Activity funding	1,030
Critical Fire Safety Works funding	1,962
Other Allocations	5,742
	<hr/>
Balance as per Statement of Comprehensive Income	668,639
	<hr/> <hr/>

Central Coast Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

31. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 14)	N/A	22,622	24,655
Receivables (note 15)*	Loans and receivables (at amortised cost)	11,777	9,597
Financial Assets at Fair Value (note 17)	At fair value through profit or loss (designated as such upon initial recognition)	7,865	7,409
		42,264	41,661
Financial Liabilities			
Payables (note 21)**	Financial liabilities measured at amortised cost	39,466	36,711
		39,466	36,711

Notes

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

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

(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2017/18 compared to 2.37% in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph (d) below.

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.

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31. Financial Instruments

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 are not considered impaired.

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

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

	2018	2017
	\$000	\$000
Neither past due nor impaired	11,243	8,949
Past due but not impaired ^{1,2}		
< 3 months overdue	414	602
3 - 6 months overdue	120	46
Impaired ^{1,2}		
> 6 months overdue	258	198
Total^{1,2}	12,035	9,795

Notes

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

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

Authority Deposits

The District has placed funds on deposit with TCorpIM Funds Investment facilities, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorpIM is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 0.99% (2017: -0.28%), while over the year the weighted average interest rate was 6.50% (2017: 8.16%) on a weighted average balance during the year of \$7.63M (2017: \$7.14M). None of these assets are past due or impaired.

(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 NSW 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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31. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates
	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr
	\$000	\$000	\$000
2018			
Payables:			
- Creditors ²	39,466	39,466	39,466
	39,466	39,466	39,466
2017			
Payables:			
- Creditors ²	36,711	36,711	36,711
	36,711	36,711	36,711

Notes:

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

2 **Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to combine Creditors and Accrued Salaries Wages, On-Costs and Payroll Deductions.

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31. 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 TCorpIM Funds 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 2017. 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
2018					
Financial Assets					
Cash and Cash Equivalents	22,622	(226)	(226)	226	226
Receivables	11,777	----	----	----	----
Financial Assets at Fair Value	7,865	(79)	(79)	79	79
Financial Liabilities					
Payables*	39,466	----	----	----	----
2017					
Financial Assets					
Cash and Cash Equivalents	24,655	(247)	(247)	247	247
Receivables	9,597	----	----	----	----
Financial Assets at Fair Value	7,409	(74)	(74)	74	74
Financial Liabilities					
Payables*	36,711	----	----	----	----

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

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Other price risk - TCorpIM Funds investment facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds investment facilities, which are held for strategic rather than trading purposes. The District has no direct equity investments. The District holds units in the following TCorpIM Funds:

Facility	Investment Sectors	Investment Horizon	2018 \$000	2017 \$000
Medium term growth fund	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	4,814	4,604
Long-term growth fund	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	3,051	2,805

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorpIM, as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorpIM has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorpIM has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds Investment facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds investment facilities limits the District's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorpIM Funds investment provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorpIM Funds) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds Investment Statement).

	Change in unit price	2018 \$000	2017 \$000
TCorpIM - Medium-term growth fund	+/- 6%	289	322
TCorpIM - Long-term growth fund	+/- 15%	458	449

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

Therefore the fair value of the financial instruments do not differ from the carrying amount.

Central Coast Local Health District
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(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-----	7,865	-----	7,865
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorpIM Funds	-----	7,409	-----	7,409

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2018.

As discussed, the value of the TCorpIM Funds investment is based on the District's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

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32. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	631	813
Post-employment benefits	55	54
Other long-term benefits	----	----
Termination benefits	----	----
	<u>686</u>	<u>867</u>

During the financial year, Central Coast Local Health District obtained key management personnel services from the immediate parent and incurred \$381K (2017: \$ 406K) for these services.

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

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

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2017: \$Nil).

Transactions with ultimate parent

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

33. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS

