

**Far West  
Local Health District**

**Financial Statements**

for the year ended 30 June 2018





## INDEPENDENT AUDITOR'S REPORT

### Far West Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Far West 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(ab). 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.

## **Other information – Certification of the Financial Statements**

Other information comprises the information included in the District's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the District is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **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.aasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.aasb.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.

A handwritten signature in black ink, appearing to read "R Meimaroglou", followed by a period.

Renee Meimaroglou  
Director, Financial Audit Service

7 September 2018  
SYDNEY

**Far West 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 Far West 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 Far West 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.



Stephen Rodwell  
**Chief Executive**  
5 September 2018



Noni Inglis  
**Acting Director of Finance and Corporate Services**  
5 September 2018

**Far West Local Health District**  
Statement of Comprehensive Income for the year ended 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
<b>Expenses excluding losses</b>						
<b>Operating Expenses</b>						
-----	-----	-----				
69,298	69,782	66,669				
6,745	5,227	6,657				
29,332	31,288	30,999				
5,399	5,347	5,110				
2,396	2,091	2,274				
<b>113,170</b>	<b>113,735</b>	<b>111,709</b>		<b>116,983</b>	<b>117,547</b>	<b>113,533</b>
<b>Revenue</b>						
91,782	91,782	87,690				
22,369	22,485	6,331				
-----	-----	-----				
11,855	11,723	11,511				
20	-----	20				
2,275	2,270	3,049				
1,404	1,207	948				
<b>129,705</b>	<b>129,467</b>	<b>109,549</b>		<b>133,518</b>	<b>133,279</b>	<b>111,373</b>
(26)	-----	(41)		(26)	-----	(41)
(259)	(253)	(66)		(259)	(253)	(66)
<b>16,250</b>	<b>15,479</b>	<b>(2,267)</b>		<b>16,250</b>	<b>15,479</b>	<b>(2,267)</b>
<b>Net Result</b>						
<b>Other Comprehensive Income</b>						
<b>Items that will not be reclassified to net result</b>						
<b>Changes in Revaluation Surplus of</b>						
9,171	-----	2,270				
9,171	-----	2,270				
<b>9,171</b>	<b>-----</b>	<b>2,270</b>		<b>9,171</b>	<b>-----</b>	<b>2,270</b>
<b>25,421</b>	<b>15,479</b>	<b>3</b>		<b>25,421</b>	<b>15,479</b>	<b>3</b>

The accompanying notes form part of these financial statements.

Far West 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		
<b>ASSETS</b>									
<b>Current Assets</b>									
1,575	2,859	3,632	Cash and Cash Equivalents	14	1,575	2,859	3,632		
2,625	3,815	4,067	Receivables	15	2,625	3,815	4,067		
221	194	194	Inventories	16	221	194	194		
<u>4,421</u>	<u>6,868</u>	<u>7,893</u>	<b>Total Current Assets</b>		<u>4,421</u>	<u>6,868</u>	<u>7,893</u>		
<b>Non-Current Assets</b>									
3	3	3	Receivables	15	3	3	3		
Property, Plant & Equipment									
122,848	114,471	96,899	- Land and Buildings	17	122,848	114,471	96,899		
6,025	5,797	6,026	- Plant and Equipment	17	6,025	5,797	6,026		
2,454	2,292	2,334	- Infrastructure Systems	17	2,454	2,292	2,334		
<u>131,327</u>	<u>122,560</u>	<u>105,259</u>	<b>Total Property, Plant &amp; Equipment</b>		<u>131,327</u>	<u>122,560</u>	<u>105,259</u>		
178	217	234	Intangible Assets	18	178	217	234		
<u>131,508</u>	<u>122,780</u>	<u>105,496</u>	<b>Total Non-Current Assets</b>		<u>131,508</u>	<u>122,780</u>	<u>105,496</u>		
<u>135,929</u>	<u>129,648</u>	<u>113,389</u>	<b>Total Assets</b>		<u>135,929</u>	<u>129,648</u>	<u>113,389</u>		
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
5,842	9,616	9,469	Payables	21	5,842	9,616	9,469		
10,038	9,927	9,317	Provisions	22	10,038	9,927	9,317		
<u>15,880</u>	<u>19,543</u>	<u>18,786</u>	<b>Total Current Liabilities</b>		<u>15,880</u>	<u>19,543</u>	<u>18,786</u>		
<b>Non-Current Liabilities</b>									
127	127	102	Provisions	22	127	127	102		
<u>127</u>	<u>127</u>	<u>102</u>	<b>Total Non-Current Liabilities</b>		<u>127</u>	<u>127</u>	<u>102</u>		
<u>16,007</u>	<u>19,670</u>	<u>18,888</u>	<b>Total Liabilities</b>		<u>16,007</u>	<u>19,670</u>	<u>18,888</u>		
<u>119,922</u>	<u>109,978</u>	<u>94,501</u>	<b>Net Assets</b>		<u>119,922</u>	<u>109,978</u>	<u>94,501</u>		
<b>EQUITY</b>									
26,781	17,608	17,610	Reserves		26,781	17,608	17,610		
93,141	92,370	76,891	Accumulated Funds		93,141	92,370	76,891		
<u>119,922</u>	<u>109,978</u>	<u>94,501</u>	<b>Total Equity</b>		<u>119,922</u>	<u>109,978</u>	<u>94,501</u>		

The accompanying notes form part of these financial statements.



**Far West 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		76,891	17,610	94,501
<b>Total Equity at 1 July 2017</b>		<b>76,891</b>	<b>17,610</b>	<b>94,501</b>
Net Result for the year		16,250	-----	16,250
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-----	9,171	9,171
<b>Total Other Comprehensive Income</b>		-----	<b>9,171</b>	<b>9,171</b>
<b>Total Comprehensive Income for the year</b>		<b>16,250</b>	<b>9,171</b>	<b>25,421</b>
<b>Balance at 30 June 2018</b>		<b>93,141</b>	<b>26,781</b>	<b>119,922</b>
Balance at 1 July 2016		79,158	15,340	94,498
<b>Total Equity at 1 July 2016</b>		<b>79,158</b>	<b>15,340</b>	<b>94,498</b>
Net Result for the year		(2,267)	-----	(2,267)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-----	2,270	2,270
<b>Total Other Comprehensive Income</b>		-----	<b>2,270</b>	<b>2,270</b>
<b>Total Comprehensive Income for the year</b>		<b>(2,267)</b>	<b>2,270</b>	<b>3</b>
<b>Balance at 30 June 2017</b>		<b>76,891</b>	<b>17,610</b>	<b>94,501</b>

The accompanying notes form part of these financial statements.

Far West 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	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(69,655)	(70,354)	(67,600)
(43,664)	(40,411)	(39,196)	Suppliers for Goods and Services	(43,664)	(40,411)	(39,196)
(2,691)	(2,385)	(2,512)	Grants and Subsidies	(2,691)	(2,385)	(2,512)
(69,655)	(70,354)	(67,600)	Other	----	----	----
<u>(116,010)</u>	<u>(113,150)</u>	<u>(109,308)</u>	<b>Total Payments</b>	<u>(116,010)</u>	<u>(113,150)</u>	<u>(109,308)</u>
<b>Receipts</b>						
91,782	91,782	87,690	NSW Ministry of Health Recurrent Allocations	91,782	91,782	87,690
22,369	22,485	6,331	NSW Ministry of Health Capital Allocations	22,369	22,485	6,331
1,249	1,249	1,077	Reimbursements from the Crown Entity	1,249	1,249	1,077
12,128	11,938	12,115	Sale of Goods and Services	12,128	11,938	12,115
20	----	20	Interest Received	20	----	20
2,365	2,360	3,157	Grants and Other Contributions	2,365	2,360	3,157
6,306	5,192	3,623	Other	6,306	5,192	3,623
<u>136,219</u>	<u>135,006</u>	<u>114,013</u>	<b>Total Receipts</b>	<u>136,219</u>	<u>135,006</u>	<u>114,013</u>
<u><b>20,209</b></u>	<u><b>21,856</b></u>	<u><b>4,705</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>20,209</b></u>	<u><b>21,856</b></u>	<u><b>4,705</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(22,266)	(22,629)	(6,075)	Purchases of Property, Plant & Equipment and Intangibles	(22,266)	(22,629)	(6,075)
<u>(22,266)</u>	<u>(22,629)</u>	<u>(6,075)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(22,266)</u>	<u>(22,629)</u>	<u>(6,075)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
----	----	----	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	----	----	----
(2,057)	(773)	(1,370)	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,057)	(773)	(1,370)
3,632	3,632	5,002	Opening Cash and Cash Equivalents	3,632	3,632	5,002
<u><b>1,575</b></u>	<u><b>2,859</b></u>	<u><b>3,632</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>1,575</b></u>	<u><b>2,859</b></u>	<u><b>3,632</b></u>

Far West 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 Far West 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 Far West 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 5 September 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(ab).

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

The Secretary of NSW Health, the Chair of the Far West Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the 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 cash flows 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.

Far West 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 18.7% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.8%). 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.

**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.

Far West 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**

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.

*Debt Forgiveness*

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

*Use of Hospital Facilities*

Specialist doctors with rights of private practice are subject to an infrastructure charge 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.

Far West 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 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.

**l) Capitalisation Thresholds**

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

Far West 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**

**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%
- Linen	25.0%
- 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 17 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.

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.

Far West 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**

**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) Intangible Assets**

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

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

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

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

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

**q) 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.

**r) 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.

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

**s) 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.

**t) 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.



Far West 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**

**u) 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.

**v) 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.

Far West 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**

**w) 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.

**x) 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.

**y) 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 30 for further disclosures regarding fair value measurements of non-financial and financial assets.

**z) 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).

**aa) Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 24.

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.

**ab) 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 Service Agreements between the District and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 29.

Far West 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**

ac) **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.

(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 Statement of Financial Position 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.

Far West 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**

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. The 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 Statement of Financial Position 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 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.

Far West 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
		<b>2. Employee Related Expenses</b>		
----	----	Salaries and Wages (including annual leave and ADO)	62,832	60,604
----	----	Superannuation - Defined Benefit Plans	814	887
----	----	Superannuation - Defined Contribution Plans	5,209	4,970
----	----	Long Service Leave	3,309	922
----	----	Redundancies	337	----
----	----	Workers' Compensation Insurance	607	1,108
----	----	Fringe Benefits Tax	3	2
-----	-----		-----	-----
-----	-----		<b>73,111</b>	<b>68,493</b>
		<b>3. Personnel Services</b>		
62,832	60,604	Salaries and Wages	----	----
5,209	4,970	Superannuation - Defined Contribution Plans	----	----
310	(15)	Long Service Leave	----	----
337	----	Redundancies	----	----
607	1,108	Workers' Compensation Insurance	----	----
3	2	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>69,298</b>	<b>66,669</b>		<b>-----</b>	<b>-----</b>

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

Far West 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
<b>4. Other Expenses</b>				
78	76	Advertising	78	76
150	148	Auditor's Remuneration - Audit of Financial Statements	150	148
115	126	Blood and Blood Products	115	126
80	87	Consultancies	80	87
14	7	Contractors	14	7
638	651	Domestic Supplies and Services	638	651
1,684	1,877	Drug Supplies	1,684	1,877
524	500	Food Supplies	524	500
1,336	1,138	Fuel, Light and Power	1,336	1,138
1,556	1,113	Patient Transport Costs	1,556	1,113
2,049	2,453	Information Management Expenses	2,049	2,453
143	154	Insurance	143	154
2,701	2,800	Maintenance (See 4(b) below)	2,701	2,800
2,080	2,015	Medical and Surgical Supplies	2,080	2,015
387	367	Motor Vehicle Expenses	387	367
226	289	Postal and Telephone Costs	226	289
293	276	Printing and Stationery	293	276
225	215	Rates and Charges	225	215
137	126	Rental	137	126
236	236	Hosted Services Purchased from entities controlled by the immediate parent	236	236
6,910	7,884	Specialised Services (Dental, Radiology, Pathology, Cardiology, Fast Track Clinic, Mental Health)	6,910	7,884
1,722	1,789	Staff Related Costs	1,722	1,789
1,751	1,742	Travel Related Costs	1,751	1,742
4,297	4,930	Other (See 4(a) below)	4,297	4,930
<u>29,332</u>	<u>30,999</u>		<u>29,332</u>	<u>30,999</u>

Far West 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
		<b>4. Other Expenses</b>		
		<b>a) Other Includes:</b>		
----	113	Contract for Patient Services	----	113
966	962	Corporate Support Services	966	962
72	93	Courier and Freight	72	93
2,128	2,011	Isolated Patient Travel and Accommodation Assistance Scheme	2,128	2,011
98	66	Legal Services	98	66
75	27	Membership/Professional Fees	75	27
424	476	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	424	476
16	33	Other Operating Lease Expense - Minimum Lease Payments	16	33
43	19	Quality Assurance/Accreditation	43	19
100	127	Security Services	100	127
375	1,003	Other Miscellaneous	375	1,003
<u>4,297</u>	<u>4,930</u>		<u>4,297</u>	<u>4,930</u>
		<b>b) Reconciliation of Total Maintenance</b>		
762	570	Maintenance Contracts	762	570
1,359	1,297	New/Replacement Equipment under \$10,000	1,359	1,297
580	933	Repairs Maintenance/Non Contract	580	933
2,701	2,800	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	2,701	2,800
1,002	879	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	1,002	879
<u>3,703</u>	<u>3,679</u>		<u>3,703</u>	<u>3,679</u>

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

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Corporate Support Services' were paid to Health Administration Corporation, 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.

Some of 'Specialised Service' expenses were paid to entities controlled by the immediate parent.

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

Most of 'Other Miscellaneous' expenses were paid to entities controlled by the immediate parent.

Far West 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
<b>5. Depreciation and Amortisation</b>				
4,277	4,116	Depreciation - Buildings	4,277	4,116
956	841	Depreciation - Plant and Equipment	956	841
110	106	Depreciation - Infrastructure Systems	110	106
56	47	Amortisation - Intangible Assets	56	47
<hr/>				
<b>5,399</b>	<b>5,110</b>		<b>5,399</b>	<b>5,110</b>
<hr/>				
<b>6. Grants and Subsidies</b>				
2,090	2,037	Non-Government Organisations	2,090	2,037
34	33	Grants paid to entities controlled by the immediate parent	34	33
272	204	Other Grants	272	204
<hr/>				
<b>2,396</b>	<b>2,274</b>		<b>2,396</b>	<b>2,274</b>
<hr/>				



Far West 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
<b>7. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
53	102	Pharmacy Sales	53	102
64	64	Sale of Prosthesis	64	64
22	36	Other	22	36
b) Rendering of Services comprise the following:-				
		Patient Fees		
4,425	4,054	- Inpatient Fees	4,425	4,054
29	113	- Nursing Home Fees	29	113
262	226	- Non Inpatient Fees	262	226
1,002	941	Department of Veterans' Affairs	1,002	941
199	190	Staff-Meals and Accommodation	199	190
3,261	2,535	Infrastructure Fees - Monthly Facility Charge	3,261	2,535
306	512	Infrastructure Fees - Annual Charge	306	512
9	4	Cafeteria/Kiosk	9	4
5	5	Clinical Services (excluding Clinical Drug Trials)	5	5
20	45	Commercial Activities	20	45
9	9	Fees for Medical Records	9	9
4	----	Information Retrieval	4	----
619	759	Highly Specialised Drugs	619	759
83	80	Linen Service Revenues - Non Health Services	83	80
21	17	Meals on Wheels	21	17
214	150	Motor Accident Authority Third Party	214	150
22	27	Private Use of Motor Vehicles	22	27
28	27	Salary Packaging Fee	28	27
107	36	Services Provided to Non NSW Health Organisations	107	36
379	352	Multi Purpose Service Centre Fees	379	352
712	1,227	Other	712	1,227
<u>11,855</u>	<u>11,511</u>		<u>11,855</u>	<u>11,511</u>

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

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

<b>8. Investment Revenue</b>				
20	20	Interest	20	20
<u>20</u>	<u>20</u>		<u>20</u>	<u>20</u>

Far West 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
<b>9. Grants and Other Contributions</b>				
485	776	Commonwealth Government Grants	485	776
408	338	Industry Contributions/Donations	408	338
431	459	Cancer Institute Grants	431	459
388	405	Grants & Contributions received from entities controlled by the ultimate parent	388	405
12	517	Grants & Contributions received from entities controlled by the immediate parent	12	517
551	554	Other Grants	551	554
<b>2,275</b>	<b>3,049</b>		<b>2,275</b>	<b>3,049</b>

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

Most of 'Grants & Contributions received from entities controlled by the ultimate parent' were received from Environment Protection Authority.

Most of 'Grants & Contributions received from entities controlled by the immediate parent' were received from Health Education and Training Institute and Agency for Clinical Innovation.

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

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

----	----	Superannuation-defined benefit	814	887
----	----	Long Service Leave	2,999	937
<b>----</b>	<b>----</b>		<b>3,813</b>	<b>1,824</b>

**11. Other Income**

Other Income comprises the following:-

1	3	Bad Debts Recovered	1	3
----	27	Conference and Training Fees	----	27
93	52	Insurance Refunds	93	52
67	58	Lease and Rental*	67	58
280	17	Treasury Managed Fund Hindsight Adjustment	280	17
963	791	Other	963	791
<b>1,404</b>	<b>948</b>		<b>1,404</b>	<b>948</b>

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

Some of 'Other' revenue was received from entities controlled by the immediate parent.

Far West 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
		<b>12. Gain / (Loss) on Disposal</b>		
1,072	4,126	Property, Plant and Equipment	1,072	4,126
<u>(1,046)</u>	<u>(4,085)</u>	Accumulated Depreciation	<u>(1,046)</u>	<u>(4,085)</u>
<u>(26)</u>	<u>(41)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(26)</u>	<u>(41)</u>
<u>(26)</u>	<u>(41)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(26)</u>	<u>(41)</u>
		<b>13. Other Gains / (Losses)</b>		
(259)	(66)	Impairment of Receivables	(259)	(66)
<u>(259)</u>	<u>(66)</u>		<u>(259)</u>	<u>(66)</u>

Far West 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
<b>14. Cash and Cash Equivalents</b>				
1,575	3,619	Cash at Bank and On Hand	1,575	3,619
-----	13	Short Term Deposits	-----	13
<u>1,575</u>	<u>3,632</u>		<u>1,575</u>	<u>3,632</u>

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:

1,575	3,632	Cash and Cash Equivalents (per Statement of Financial Position)	1,575	3,632
<u>1,575</u>	<u>3,632</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>1,575</u>	<u>3,632</u>

Refer to Note 30 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Far West 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
		<b>15. Receivables</b>		
		<b>Current</b>		
517	1,462	Sale of Goods and Services	517	1,462
540	1,094	Intra Health Receivables	540	1,094
635	837	Goods and Services Tax	635	837
775	541	Other Debtors	775	541
<u>2,467</u>	<u>3,934</u>	<b>Sub Total</b>	<u>2,467</u>	<u>3,934</u>
(48)	(59)	Less Allowance for Impairment	(48)	(59)
2,419	3,875	<b>Sub Total</b>	2,419	3,875
206	192	Prepayments	206	192
<u>2,625</u>	<u>4,067</u>		<u>2,625</u>	<u>4,067</u>
Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Administration Corporation.				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(46)	(59)	Balance at Commencement of Reporting Period	(46)	(59)
20	12	Amounts written off during the year	20	12
<u>(26)</u>	<u>(46)</u>	Balance at 30 June	<u>(26)</u>	<u>(46)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(13)	(8)	Balance at Commencement of Reporting Period	(13)	(8)
250	62	Amounts written off during the year	250	62
(259)	(66)	(Increase)/decrease in Allowance Recognised in the Net Result	(259)	(66)
<u>(22)</u>	<u>(13)</u>	Balance at 30 June	<u>(22)</u>	<u>(13)</u>
<u>(48)</u>	<u>(59)</u>		<u>(48)</u>	<u>(59)</u>
<b>Non-Current</b>				
3	3	Sale of Goods and Services	3	3
<u>3</u>	<u>3</u>		<u>3</u>	<u>3</u>
c) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
45	104	Patient Fees - Compensable	45	104
14	1	Patient Fees - Ineligible	14	1
354	615	Patient Fees - Inpatient & Other	354	615
<u>413</u>	<u>720</u>		<u>413</u>	<u>720</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 30.

Far West 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
		<b>16. Inventories</b>		
98	87	Drugs	98	87
123	107	Other Including Goods in Transit	123	107
<b>221</b>	<b>194</b>		<b>221</b>	<b>194</b>
<b>221</b>	<b>194</b>		<b>221</b>	<b>194</b>

Far West 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
<b>17. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
205,383	174,182	Gross Carrying Amount	205,383	174,182
82,535	77,283	Less: Accumulated Depreciation and Impairment	82,535	77,283
<u>122,848</u>	<u>96,899</u>	Net Carrying Amount	<u>122,848</u>	<u>96,899</u>
<b>Plant and Equipment - Fair Value*</b>				
13,473	13,229	Gross Carrying Amount	13,473	13,229
7,448	7,203	Less: Accumulated Depreciation and Impairment	7,448	7,203
<u>6,025</u>	<u>6,026</u>	Net Carrying Amount	<u>6,025</u>	<u>6,026</u>
<b>Infrastructure Systems - Fair Value</b>				
4,570	4,253	Gross Carrying Amount	4,570	4,253
2,116	1,919	Less: Accumulated Depreciation and Impairment	2,116	1,919
<u>2,454</u>	<u>2,334</u>	Net Carrying Amount	<u>2,454</u>	<u>2,334</u>
<u>131,327</u>	<u>105,259</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>131,327</u>	<u>105,259</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.

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

**PARENT & CONSOLIDATION**

**17. 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	Total \$000
<b>2018</b>				
Net carrying amount at start of year	96,899	6,026	2,334	105,259
Additions	21,303	963	----	22,266
Disposals	(18)	(8)	----	(26)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	8,941	----	230	9,171
Depreciation Expense	(4,277)	(956)	(110)	(5,343)
<b>Net carrying amount at end of year</b>	<b>122,848</b>	<b>6,025</b>	<b>2,454</b>	<b>131,327</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2017</b>				
Net carrying amount at start of year	93,728	5,982	2,382	102,092
Additions	5,083	938	----	6,021
Reclassifications to Intangibles	----	(16)	----	(16)
Disposals	(8)	(37)	----	(45)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	2,212	----	58	2,270
Depreciation Expense	(4,116)	(841)	(106)	(5,063)
<b>Net carrying amount at end of year</b>	<b>96,899</b>	<b>6,026</b>	<b>2,334</b>	<b>105,259</b>

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)]



Far West 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
		<b>18. Intangible Assets</b>		
		<b>Intangibles</b>		
281	281	Cost (Gross Carrying Amount)	281	281
103	47	Less Accumulated Amortisation and Impairment	103	47
<u>178</u>	<u>234</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>178</u>	<u>234</u>

**PARENT & CONSOLIDATION**

**18. Intangible Assets - Reconciliation**

	Total \$000
<b>2018</b>	
Net carrying amount at start of year	234
Amortisation (Recognised in Depreciation and Amortisation)	(56)
<b>Net carrying amount at end of year</b>	<b>178</b>

	Total \$000
<b>2017</b>	
Net carrying amount at start of year	208
Additions (From Internal Development or Acquired Separately)	57
Reclassifications from Plant & Equipment	16
Amortisation (Recognised in Depreciation and Amortisation)	(47)
<b>Net carrying amount at end of year</b>	<b>234</b>

Far West 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 17)				
- Land and Buildings	----	618	96,842	97,460
- Infrastructure Systems	----	----	2,454	2,454
	-----	-----	-----	-----
	<u>-----</u>	<u>618</u>	<u>99,296</u>	<u>99,914</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 17.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	131	90,082	90,213
- Infrastructure Systems	----	----	2,334	2,334
	-----	-----	-----	-----
	<u>-----</u>	<u>131</u>	<u>92,416</u>	<u>92,547</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 17.

**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 Corporeal Pty Ltd for the 2017/18 financial year. Corporeal 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.

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:

Far West 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**

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.

Some of the 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, some residential properties are valued on a market approach and included in level 2.

Far West 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	90,082	2,334	92,416
Additions	2,589	-----	2,589
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	8,941	230	9,171
Transfers to Level 2	(490)	-----	(490)
Disposals	(18)	-----	(18)
Depreciation	(4,262)	(110)	(4,372)
Fair value as at 30 June 2018	<u>96,842</u>	<u>2,454</u>	<u>99,296</u>

During the revaluation process, some items of land and buildings were reclassified from Level 3 to Level 2.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	88,815	2,199	91,014
Additions	3,164	179	3,343
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	2,212	58	2,270
Disposals	(8)	-----	(8)
Depreciation	(4,101)	(102)	(4,203)
Fair value as at 30 June 2017	<u>90,082</u>	<u>2,334</u>	<u>92,416</u>

Far West 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	7	----	80	87
Facility Improvements	275	168	171	278
Holds Funds in Perpetuity	----	----	12	12
Patient Welfare	154	32	37	159
Public Contributions	285	116	121	290
Staff Welfare	2	----	----	2
Training and Education incl. Conferences	40	7	2	35
	<b>763</b>	<b>323</b>	<b>423</b>	<b>863</b>

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.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.

Far West 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
		<b>21. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	927	738
----	----	Taxation and Payroll Deductions	722	696
1,649	1,434	Accrued Liability - Purchase of Personnel Services	----	----
2,223	3,872	Creditors	2,223	3,872
		Other Creditors		
1,095	1,444	- Payables to entities controlled by the immediate parent	1,095	1,444
875	2,719	- Other	875	2,719
<u>5,842</u>	<u>9,469</u>		<u>5,842</u>	<u>9,469</u>

Most of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation and Western NSW Local Health District.

Some of 'Other' relate to balances payable to the The Audit Office of New South Wales, an entity controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 30.

Far West 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
		<b>22. Provisions</b>		
		<b>Current</b>		
----	----	Annual Leave - Short Term Benefit	7,463	6,983
----	----	Annual Leave - Long Term Benefit	622	808
----	----	Long Service Leave Consequential On-Costs	1,457	1,172
----	----	Provision for Other Employee Benefits*	496	354
10,038	9,317	Provision for Personnel Services Liability	----	----
<u>10,038</u>	<u>9,317</u>		<u>10,038</u>	<u>9,317</u>
		 *ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.		
		<b>Non-Current</b>		
----	----	Long Service Leave Consequential On-Costs	127	102
127	102	Provision for Personnel Services Liability	----	----
<u>127</u>	<u>102</u>		<u>127</u>	<u>102</u>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
----	----	Provisions - Current	10,038	9,317
----	----	Provisions - Non-Current	127	102
----	----	Accrued Salaries, Wages and On-Costs (Note 21)	1,649	1,434
11,814	10,853	Liability - Purchase of Personnel Services	----	----
<u>11,814</u>	<u>10,853</u>		<u>11,814</u>	<u>10,853</u>

Far West 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
<b>23. Commitments for Expenditure</b>				
a) <b>Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
4,970	667	Within one year	4,970	667
10	66	Later than one year and not later than five years	10	66
<u>4,980</u>	<u>733</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>4,980</u>	<u>733</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) <b>Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
371	312	Within one year	371	312
291	287	Later than one year and not later than five years	291	287
<u>662</u>	<u>599</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>662</u>	<u>599</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) <b>Contingent Asset Related to Commitments for Expenditure</b>				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$5.642 million as at 30 June 2018 includes input tax credits of \$0.512 million that are expected to be recoverable from the Australian Taxation Office (2017 \$0.120 million).				



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

**PARENT & CONSOLIDATION**

**24. Trust Funds**

The District holds trust funds of \$38 thousand (2017 : \$129 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	35	34	94	92	129	126
Revenue	1	1	3	2	4	3
Expenses	----	----	(95)	----	(95)	----
Balance at the end of the financial year	<b>36</b>	<b>35</b>	<b>2</b>	<b>94</b>	<b>38</b>	<b>129</b>

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.

<b>Category</b>	<b>Purpose</b>
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposit	A sum of money held in trust as a security deposit.

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

**PARENT AND CONSOLIDATED**

**25. Contingent Liabilities and Assets**

An insurance claim has been lodged with the insurance company for the hail storm damages suffered by the Broken Hill properties. Management plans to utilise these insurance proceeds to replace the damaged roofs of the affected properties. A reliable estimate of the value of the claim cannot be made at this time. The District is not aware of any other contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

Far West 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
<b>26. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
20,209	4,705	Net Cash Flows from Operating Activities	20,209	4,705
(5,399)	(5,110)	Depreciation and Amortisation	(5,399)	(5,110)
(259)	(66)	Impairment of Receivables	(259)	(66)
(745)	(153)	(Increase)/ Decrease in Provisions	(745)	(153)
(1,158)	679	Increase / (Decrease) in Prepayments and Other Assets	(1,158)	679
3,628	(2,281)	(Increase)/ Decrease in Payables from Operating Activities	3,628	(2,281)
(26)	(41)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(26)	(41)
<u>16,250</u>	<u>(2,267)</u>	<b>Net Result</b>	<u>16,250</u>	<u>(2,267)</u>

**27. 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

**28. 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.

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

**PARENT AND CONSOLIDATION**

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

**Net Result**

The actual Net Result was higher than adjusted budget by \$771 thousand, primarily due to:

Employee Related Expenses - Favourable to adjusted budget by \$483 thousand. Mitigation strategies including a continuous review of the staff establishment contributed to the favourable result. Visiting Medical Officers - Exceeds adjusted budget by \$1.5 million. The resignation of staff specialists has impacted on the increased costs of this item. Other Expenses - Favourable to adjusted budget by \$1.956 million. A significant portion of this favourability is due to the IPTAAS Budget Supplement received at the end of June.

**Assets and Liabilities**

Total Assets were \$6.281 million higher than budget and this is mainly due to the increase in land and buildings following the full revaluation at 31 December 2017. Total Liabilities were \$3.663 million lower than budget. The major contributor to this favourability in the Payables which was \$3.774 million lower than budget.

**Cash Flows**

Total Receipts exceeded budget by \$1.213 million. Total Payments exceeded budget by \$2.860 million.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2017 are as follows:

	\$000
<b>Initial Allocation, 1 July 2017</b>	88,127
<b>Special Projects</b>	
Keep Them Safe Funding Allocations 2017-18	48
NSW Mental Health Reform Tranche 2 funding 2017-18	251
Nurse Midwife Strategy Reserves	433
Transfer of funds from category C to category D for Vulnerable Clients Project	1
Integrated Care Initiative	800
Quit for new Life Smoking Cessation Program	18
Nurse Midwife Strategy Reserves	9
property pathology & health linen expenses	(26)
Aged Care Assessment Program (ACAP) 2017-18	189
Palliative Care Training Initiatives	24
Integrated Care	(210)
<b>Other</b>	
Supplementation for Winter Funding	46
2017/18 for Hospital In Home Services	206
Reversal of Year 2 Drug & Alcohol Package budget - Previously Allocated	(23)
Whole of Health 2017/18 and 2018/19	60
Nursing and Midwifery Enhancements	83
Workplace Culture and Safety	115
Winter 2017 Activity	353
Voluntary Redundancy Reimbursement	336
NSW Rural Generalist Medical and GP Procedural Training Program	19
Critical Maintenance Works	62
S100 Highly Specialised Drugs Co-Payments	8
Isolated Patients Travel and Accommodation Assistance Scheme IPTAAS	904
S100 Highly Specialised Drugs Co-Payments	7
VMO Fees for Services	61
Pathology Tests Performed in Correctional Facilities	44
Isolated Patients Travel and Accommodation Assistance Scheme	256
Finalisation of 2017_18 Recurrent Subsidy	(419)
<b>Balance as per Statement of Comprehensive Income</b>	<b>91,782</b>

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

**30. 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	
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 14)	N/A	1,575	3,632
Receivables (note 15)*	Loans and receivables (at amortised cost)	1,787	3,041
		3,362	6,673
<b>Financial Liabilities</b>			
Payables (note 21)**	Financial liabilities measured at amortised cost	5,120	8,773
		5,120	8,773

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.

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

### 30. Financial Instruments

#### Receivables - trade debtors

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due 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	785	1,476
Past due but not impaired <sup>1,4</sup>		
< 3 months overdue	997	1,556
3 - 6 months overdue	3	6
> 6 months overdue	2	----
Impaired <sup>1,2</sup>		
< 3 months overdue	----	----
3 - 6 months overdue	13	23
> 6 months overdue	35	36
<b>Total<sup>1,2</sup></b>	<b>1,835</b>	<b>3,097</b>

#### 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.

#### (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.

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

**30. Financial Instruments**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2018</b>							
Payables:							
- Creditors <sup>2</sup>	5,120	----	----	5,120	5,120	----	----
	5,120	----	----	5,120	5,120	----	----
<b>2017</b>							
Payables:							
- Creditors <sup>2</sup>	8,773	----	----	8,773	8,773	----	----
	8,773	----	----	8,773	8,773	----	----

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).

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

**30. 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
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,575	(16)	(16)	16	16
Receivables	1,787	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	5,120	----	----	----	----
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3,632	(36)	(36)	36	36
Receivables	3,041	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	8,773	----	----	----	----

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



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

**31. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	145	603
Post-employment benefits	14	37
	<u>159</u>	<u>640</u>

During the financial year, Far West Local Health District obtained key management personnel services from the immediate parent and incurred \$590k (2017: \$283k) 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.

Any amounts drawn down from the trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction.

**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).

**32. 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**

