

Illawarra Shoalhaven Local Health District

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Illawarra Shoalhaven 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(af). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Dominika Ryan
Director, Financial Audit Service

10 September 2018
SYDNEY

**Illawarra Shoalhaven 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 Illawarra Shoalhaven 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 Illawarra Shoalhaven 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.



Caroline Langston

A/Chief Executive
6 September 2018



Gerrard Golding

**Executive Director Finance, Workforce,
Corporate and Strategic Improvement**
6 September 2018

Illawarra Shoalhaven Local Health District
Statement of Financial Position as at 30 June 2018

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2018	2018	2017					2018	2018	2017	
\$000	\$000	\$000					\$000	\$000	\$000	
ASSETS										
Current Assets										
44,408	26,633	42,336	Cash and Cash Equivalents	14		44,408	26,633	42,336		
24,306	36,691	19,393	Receivables	15		24,306	36,691	19,393		
9,008	8,401	8,318	Inventories	16		9,008	8,401	8,318		
<u>77,722</u>	<u>71,725</u>	<u>70,047</u>	Total Current Assets			<u>77,722</u>	<u>71,725</u>	<u>70,047</u>		
Non-Current Assets										
Property, Plant & Equipment										
561,409	487,437	502,837	- Land and Buildings	17		561,409	487,437	502,837		
52,155	57,206	51,548	- Plant and Equipment	17		52,155	57,206	51,548		
78,709	34,438	36,728	- Infrastructure Systems	17		78,709	34,438	36,728		
<u>692,273</u>	<u>579,081</u>	<u>591,113</u>	Total Property, Plant & Equipment			<u>692,273</u>	<u>579,081</u>	<u>591,113</u>		
22	3,027	159	Intangible Assets	18		22	3,027	159		
210	202	202	Other	19		210	202	202		
<u>692,505</u>	<u>582,310</u>	<u>591,474</u>	Total Non-Current Assets			<u>692,505</u>	<u>582,310</u>	<u>591,474</u>		
<u>770,227</u>	<u>654,035</u>	<u>661,521</u>	Total Assets			<u>770,227</u>	<u>654,035</u>	<u>661,521</u>		
LIABILITIES										
Current Liabilities										
60,607	58,973	56,996	Payables	22		60,607	58,973	56,996		
447	----	----	Borrowings	23		447	----	----		
87,937	85,037	80,139	Provisions	24		87,937	85,037	80,139		
<u>148,991</u>	<u>144,010</u>	<u>137,135</u>	Total Current Liabilities			<u>148,991</u>	<u>144,010</u>	<u>137,135</u>		
Non-Current Liabilities										
4,717	----	----	Borrowings	23		4,717	----	----		
1,147	1,147	963	Provisions	24		1,147	1,147	963		
<u>5,864</u>	<u>1,147</u>	<u>963</u>	Total Non-Current Liabilities			<u>5,864</u>	<u>1,147</u>	<u>963</u>		
<u>154,855</u>	<u>145,157</u>	<u>138,098</u>	Total Liabilities			<u>154,855</u>	<u>145,157</u>	<u>138,098</u>		
<u>615,372</u>	<u>508,878</u>	<u>523,423</u>	Net Assets			<u>615,372</u>	<u>508,878</u>	<u>523,423</u>		
EQUITY										
190,241	74,280	74,281	Reserves			190,241	74,280	74,281		
425,131	434,598	449,142	Accumulated Funds			425,131	434,598	449,142		
<u>615,372</u>	<u>508,878</u>	<u>523,423</u>	Total Equity			<u>615,372</u>	<u>508,878</u>	<u>523,423</u>		

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven 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		449,142	74,281	523,423
Total Equity at 1 July 2017		449,142	74,281	523,423
Net Result for the year		(24,011)	----	(24,011)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	----	115,960	115,960
Total Other Comprehensive Income		----	115,960	115,960
Total Comprehensive Income for the year		(24,011)	115,960	91,949
Balance at 30 June 2018		425,131	190,241	615,372
Balance at 1 July 2016		456,108	74,280	530,388
Total Equity at 1 July 2016		456,108	74,280	530,388
Net Result for the year		(6,966)	----	(6,966)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	----	1	1
Total Other Comprehensive Income		----	1	1
Total Comprehensive Income for the year		(6,966)	1	(6,965)
Balance at 30 June 2017		449,142	74,281	523,423

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven 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
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(609,179)	(598,961)	(572,317)
(324,262)	(336,837)	(313,165)	Suppliers for Goods and Services	(324,262)	(336,837)	(313,165)
(5,946)	(5,575)	(7,962)	Grants and Subsidies	(5,946)	(5,575)	(7,962)
(609,179)	(598,961)	(572,317)	Other	----	----	----
<u>(939,387)</u>	<u>(941,373)</u>	<u>(893,444)</u>	Total Payments	<u>(939,387)</u>	<u>(941,373)</u>	<u>(893,444)</u>
Receipts						
760,131	753,543	737,601	NSW Ministry of Health Recurrent Allocations	760,131	753,543	737,601
9,817	10,493	13,828	NSW Ministry of Health Capital Allocations	9,817	10,493	13,828
10,391	10,391	9,100	Reimbursements from the Crown Entity	10,391	10,391	9,100
108,123	112,763	113,678	Sale of Goods and Services	108,123	112,763	113,678
752	1,068	759	Interest Received	752	1,068	759
25,329	25,412	16,443	Grants and Other Contributions	25,329	25,412	16,443
38,481	34,244	34,863	Other	38,481	34,244	34,863
<u>953,024</u>	<u>947,914</u>	<u>926,272</u>	Total Receipts	<u>953,024</u>	<u>947,914</u>	<u>926,272</u>
<u>13,637</u>	<u>6,541</u>	<u>32,828</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>13,637</u>	<u>6,541</u>	<u>32,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
320	75	2,848	Proceeds from Sale of Property, Plant & Equipment and Intangibles	320	75	2,848
(17,049)	(22,319)	(28,338)	Purchases of Property, Plant & Equipment and Intangibles	(17,049)	(22,319)	(28,338)
<u>(16,729)</u>	<u>(22,244)</u>	<u>(25,490)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(16,729)</u>	<u>(22,244)</u>	<u>(25,490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
5,164	----	----	Proceeds from Borrowings and Advances	5,164	----	----
<u>5,164</u>	<u>----</u>	<u>----</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>5,164</u>	<u>----</u>	<u>----</u>
2,072	(15,703)	7,338	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,072	(15,703)	7,338
42,336	42,336	34,998	Opening Cash and Cash Equivalents	42,336	42,336	34,998
<u>44,408</u>	<u>26,633</u>	<u>42,336</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>44,408</u>	<u>26,633</u>	<u>42,336</u>

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven 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

Illawarra Shoalhaven Local Health District (ISLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

ISLHD 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).

ISLHD, 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 21), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Illawarra Shoalhaven Local Health District Special Purpose Service Entity, which was established as a Division of the ISLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable ISLHD 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 A/Chief Executive on 6 September 2018.

b) Basis of Preparation

ISLHD'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(af).

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

The Secretary of NSW Health, the Chair of Illawarra Shoalhaven 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 ISLHD'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 ISLHD 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.
- * ISLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * ISLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by ISLHD 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.

Illawarra Shoalhaven 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 18.4% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). ISLHD has assessed the actuarial advice based on the ISLHD'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

ISLHD'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.

ISLHD 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 ISLHD as shown in Note 24.

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 ISLHD 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

ISLHD'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.

Illawarra Shoalhaven 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 ISLHD 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 ISLHD 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. ISLHD 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 ISLHD 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 ISLHD 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 ISLHD use in the advancement of ISLHD or individuals within it.

Illawarra Shoalhaven 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

Refer to Note 7 (b) for further details.

Use of Outside Facilities

ISLHD 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 ISLHD 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 ISLHD 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.

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

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by ISLHD are deemed to be controlled by ISLHD 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.

Illawarra Shoalhaven 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 ISLHD. 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:

Artwork	5.0%
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 20 for further information regarding fair value.

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

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

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

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

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.

Illawarra Shoalhaven 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

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

o) Impairment of Property, Plant and Equipment

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

p) Restoration Costs

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

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

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

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

r) Intangible Assets

ISLHD recognises intangible assets only if it is probable that future economic benefits will flow to ISLHD 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 ISLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by ISLHD 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.

s) Maintenance

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

Illawarra Shoalhaven 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

t) Leased Assets

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

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

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

u) Inventories

Inventories held for distribution are 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.

v) Loans and Receivables

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

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

w) Investments

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

* ISLHD 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 ISLHD's key management personnel.

The risk management strategy of ISLHD 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 ISLHD 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 ISLHD 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.

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

1. Statement of Significant Accounting Policies

x) 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.

y) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

z) Payables

These amounts represent liabilities for goods and services provided to ISLHD 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 ISLHD.

aa) Borrowings

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

ab) Fair Value Hierarchy

A number of ISLHD'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, ISLHD 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).

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

Refer to Note 20 and Note 34 for further disclosures regarding fair value measurements of non-financial and financial assets.

Illawarra Shoalhaven 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) Equity Transfers

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

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

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

ad) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ae) Trust Funds

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

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

af) 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). ISLHD'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, ISLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between ISLHD 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 33.

ag) Emerging Asset

ISLHD's emerging interest in the Grand Pacific Health Centre at 107 Scenic Drive, Nowra has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required ISLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 30 years using the annuity method and the Government Bond rate of 2.98% at commencement of the concession period.

Illawarra Shoalhaven 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

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

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

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

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note 30 of these financial statements.

(ii) Issued but not yet effective

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

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

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

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

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

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

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

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

Illawarra Shoalhaven 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. 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 ISLHD's Financial Report

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

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as 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 ISLHD.
- * 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

- * Service Concession assets and liabilities may be brought onto the balance sheet which are currently treated as emerging assets.

Application Date

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

Illawarra Shoalhaven 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
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	548,233	520,465
----	----	Superannuation - Defined Benefit Plans	4,885	5,151
----	----	Superannuation - Defined Contribution Plans	47,488	44,662
----	----	Long Service Leave	23,451	9,707
----	----	Redundancies	500	337
----	----	Workers' Compensation Insurance	7,308	7,635
----	----	Fringe Benefits Tax	83	67
-----	-----		-----	-----
-----	-----		631,948	588,024
		3. Personnel Services		
548,233	520,465	Salaries and Wages	----	----
47,488	44,662	Superannuation - Defined Contribution Plans	----	----
2,301	46	Long Service Leave	----	----
500	337	Redundancies	----	----
7,308	7,635	Workers' Compensation Insurance	----	----
83	67	Fringe Benefits Tax	----	----
-----	-----		-----	-----
605,913	573,212		-----	-----

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

Illawarra Shoalhaven 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
4. Other Expenses				
270	427	Advertising	270	427
182	179	Auditor's Remuneration - Audit of Financial Statements	182	179
5,606	4,952	Blood and Blood Products	5,606	4,952
813	592	Consultancies	813	592
141	10	Contractors	141	10
9,921	9,983	Domestic Supplies and Services	9,921	9,983
37,222	49,176	Drug Supplies	37,222	49,176
19,256	18,752	Food Supplies	19,256	18,752
5,453	4,618	Fuel, Light and Power	5,453	4,618
12,113	9,114	Patient Transport Costs	12,113	9,114
10,170	18,009	Information Management Expenses	10,170	18,009
782	809	Insurance	782	809
24,483	15,444	Maintenance (See 4(b) below)	24,483	15,444
44,773	41,354	Medical and Surgical Supplies	44,773	41,354
1,448	1,326	Motor Vehicle Expenses	1,448	1,326
1,326	1,628	Postal and Telephone Costs	1,326	1,628
2,031	2,086	Printing and Stationery	2,031	2,086
777	734	Rates and Charges	777	734
6,107	5,618	Rental	6,107	5,618
8,815	1,425	Hosted Services Purchased from entities controlled by the immediate parent	8,815	1,425
32,204	33,141	Specialised Services (Renal, Dental, Radiology, Pathology, Allied Health)	32,204	33,141
3,540	4,172	Staff Related Costs	3,540	4,172
3,107	3,174	Travel Related Costs	3,107	3,174
16,342	15,449	Other (See 4(a) below)	16,342	15,449
246,882	242,172		246,882	242,172

Illawarra Shoalhaven 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
		4. Other Expenses		
		a) Other Includes:		
-----	5	Aircraft Expenses (Ambulance)	-----	5
1,922	1,924	Contract for Patient Services	1,922	1,924
4,023	3,623	Corporate Support Services	4,023	3,623
570	548	Courier and Freight	570	548
583	454	Isolated Patient Travel and Accommodation Assistance Scheme	583	454
196	218	Legal Services	196	218
421	229	Membership/Professional Fees	421	229
1,430	1,624	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,430	1,624
1,522	1,308	Other Operating Lease Expense - Minimum Lease Payments	1,522	1,308
214	220	Quality Assurance/Accreditation	214	220
92	6	Security Services	92	6
5,369	5,290	Other Miscellaneous	5,369	5,290
<u>16,342</u>	<u>15,449</u>		<u>16,342</u>	<u>15,449</u>
		b) Reconciliation of Total Maintenance		
6,627	5,901	Maintenance Contracts	6,627	5,901
14,317	5,104	New/Replacement Equipment under \$10,000	14,317	5,104
3,497	4,429	Repairs Maintenance/Non Contract	3,497	4,429
42	10	Other	42	10
24,483	15,444	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	24,483	15,444
2,661	2,677	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,661	2,677
<u>27,144</u>	<u>18,121</u>		<u>27,144</u>	<u>18,121</u>

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

The majority of 'Motor Vehicle Expenses', 'Food Supplies' and 'Other Operating Expenses' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

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

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

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

Some 'Domestic Supplies and Services' were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

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

Some 'Rates and Charges' were paid to the Sydney Water, an entity controlled by the ultimate parent.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
19,578	18,525	Depreciation - Buildings	19,578	18,525
9,615	9,039	Depreciation - Plant and Equipment	9,615	9,039
2,290	1,826	Depreciation - Infrastructure Systems	2,290	1,826
21	89	Amortisation - Intangible Assets	21	89
<hr/>				
31,504	29,479		31,504	29,479
<hr/>				
6. Grants and Subsidies				
4,386	4,026	Non-Government Organisations	4,386	4,026
613	2,854	Grants to Research Organisations	613	2,854
362	60	Grants paid to entities controlled by the immediate parent	362	60
69	236	Other Grants	69	236
<hr/>				
5,430	7,176		5,430	7,176
<hr/>				

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
7. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
534	550	Pharmacy Sales	534	550
2,746	2,466	Sale of Prosthesis	2,746	2,466
37	39	Other	37	39
b) Rendering of Services comprise the following:-				
		Patient Fees		
38,609	36,020	- Inpatient Fees	38,609	36,020
708	985	- Nursing Home Fees	708	985
1,959	1,872	- Non Inpatient Fees	1,959	1,872
16,170	15,260	Department of Veterans' Affairs	16,170	15,260
126	119	Staff-Meals and Accommodation	126	119
14,634	11,757	Infrastructure Fees - Monthly Facility Charge	14,634	11,757
3,831	3,800	Infrastructure Fees - Annual Charge	3,831	3,800
2,265	2,179	Car Parking	2,265	2,179
537	470	Child Care Fees	537	470
20	1	Clinical Services (excluding Clinical Drug Trials)	20	1
400	283	Commercial Activities	400	283
127	133	Fees for Medical Records	127	133
21,374	33,903	Highly Specialised Drugs	21,374	33,903
5,066	4,005	Motor Accident Authority Third Party	5,066	4,005
18	21	Patient Transport Fees	18	21
300	318	Private Use of Motor Vehicles	300	318
346	324	Salary Packaging Fee	346	324
539	643	Hosted Services Provided to entities controlled by immediate parent	539	643
560	624	Services Provided to Non NSW Health Organisations	560	624
87	79	Other	87	79
110,993	115,851		110,993	115,851

Some of 'Patient Fees' revenue was received from the immediate parent.

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

8. Investment Revenue				
306	241	Interest	306	241
446	519	TCorp/IM Funds Investment Facilities Designated at Fair Value through Profit or Loss	446	519
752	760		752	760

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Grants and Other Contributions				
865	1,068	Clinical Drug Trials	865	1,068
5,253	4,570	Commonwealth Government Grants	5,253	4,570
715	785	Commonwealth Teaching Hospital Grants	715	785
1,821	3,183	Industry Contributions/Donations	1,821	3,183
1,823	1,404	Cancer Institute Grants	1,823	1,404
15,129	3,713	Grants & Contributions received from entities controlled by the ultimate parent	15,129	3,713
258	876	Grants & Contributions received from entities controlled by the immediate parent	258	876
63	508	Research Grants	63	508
1,557	1,671	Other Grants	1,557	1,671
27,484	17,778		27,484	17,778

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

The majority of grants that were received from entities controlled by the ultimate parent were received from Health Infrastructure.

The majority of grants that were received from entities controlled by the immediate parent were received from Health Education & Training Institute.

10. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	4,885	5,151
----	----	Long Service Leave	21,150	9,661
----	----		26,035	14,812

11. Other Income

Other Income comprises the following:-

84	179	Commissions	84	179
220	211	Conference and Training Fees	220	211
144	125	Insurance Refunds	144	125
490	456	Lease and Rental	490	456
89	103	Sale of Merchandise, Old Wares and Books	89	103
12	13	Sponsorship	12	13
694	3,274	Treasury Managed Fund Hindsight Adjustment	694	3,274
228	481	Other	228	481
1,961	4,842		1,961	4,842

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
12. Gain / (Loss) on Disposal				
8,116	2,813	Property, Plant and Equipment	8,116	2,813
(7,584)	(2,686)	Accumulated Depreciation	(7,584)	(2,686)
<u>532</u>	<u>127</u>	Written Down Value	<u>532</u>	<u>127</u>
320	29	Proceeds from Disposal	320	29
<u>(212)</u>	<u>(98)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(212)</u>	<u>(98)</u>
----	4,348	Assets Held for Sale	----	4,348
----	2,819	Proceeds from Disposal	----	2,819
<u>-----</u>	<u>(1,529)</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>-----</u>	<u>(1,529)</u>
<u>(212)</u>	<u>(1,627)</u>	Total Gain/(Loss) on Disposal	<u>(212)</u>	<u>(1,627)</u>
13. Other Gains / (Losses)				
(668)	(489)	Impairment of Receivables	(668)	(489)
<u>(668)</u>	<u>(489)</u>		<u>(668)</u>	<u>(489)</u>

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
14. Cash and Cash Equivalents				
21,564	19,938	Cash at Bank and On Hand	21,564	19,938
22,844	22,398	Short Term Deposits	22,844	22,398
44,408	42,336		44,408	42,336
<p>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.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
44,408	42,336	Cash and Cash Equivalents (per Statement of Financial Position)	44,408	42,336
44,408	42,336	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	44,408	42,336

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

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
15. Receivables				
Current				
8,596	7,811	Sale of Goods and Services	8,596	7,811
1,850	5,521	Intra Health Receivables	1,850	5,521
3,568	3,302	Goods and Services Tax	3,568	3,302
1,217	1,464	Other Debtors	1,217	1,464
<u>15,231</u>	<u>18,098</u>	Sub Total	<u>15,231</u>	<u>18,098</u>
(674)	(762)	Less Allowance for Impairment	(674)	(762)
<u>14,557</u>	<u>17,336</u>	Sub Total	<u>14,557</u>	<u>17,336</u>
9,749	2,057	Prepayments	9,749	2,057
<u>24,306</u>	<u>19,393</u>		<u>24,306</u>	<u>19,393</u>
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Infrastructure, Cancer Institute NSW & South Eastern Sydney Local Health District.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(697)	(651)	Balance at Commencement of Reporting Period	(697)	(651)
734	376	Amounts written off during the year	734	376
(667)	(422)	(Increase)/decrease in Allowance Recognised in the Net Result	(667)	(422)
<u>(630)</u>	<u>(697)</u>	Balance at 30 June 2018	<u>(630)</u>	<u>(697)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(65)	(10)	Balance at Commencement of Reporting Period	(65)	(10)
22	12	Amounts written off during the year	22	12
(1)	(67)	(Increase)/decrease in Allowance Recognised in the Net Result	(1)	(67)
<u>(44)</u>	<u>(65)</u>	Balance at 30 June 2018	<u>(44)</u>	<u>(65)</u>
<u>(674)</u>	<u>(762)</u>		<u>(674)</u>	<u>(762)</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:				
987	758	Patient Fees - Compensable	987	758
924	998	Patient Fees - Ineligible	924	998
6,280	5,638	Patient Fees - Inpatient & Other	6,280	5,638
<u>8,191</u>	<u>7,394</u>		<u>8,191</u>	<u>7,394</u>

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

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		16. Inventories		
2,832	2,819	Drugs	2,832	2,819
5,430	4,825	Medical and Surgical Supplies	5,430	4,825
746	674	Other (Including Goods in Transit)	746	674
9,008	8,318		9,008	8,318

Illawarra Shoalhaven 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
		17. Property, Plant and Equipment		
		Land and Buildings - Fair Value		
901,718	826,014	Gross Carrying Amount	901,718	826,014
340,309	323,177	Less: Accumulated Depreciation and Impairment	340,309	323,177
<u>561,409</u>	<u>502,837</u>	Net Carrying Amount	<u>561,409</u>	<u>502,837</u>
		Plant and Equipment - Fair Value*		
99,128	96,515	Gross Carrying Amount	99,128	96,515
46,973	44,967	Less: Accumulated Depreciation and Impairment	46,973	44,967
<u>52,155</u>	<u>51,548</u>	Net Carrying Amount	<u>52,155</u>	<u>51,548</u>
		Infrastructure Systems - Fair Value		
106,340	73,023	Gross Carrying Amount	106,340	73,023
27,631	36,295	Less: Accumulated Depreciation and Impairment	27,631	36,295
<u>78,709</u>	<u>36,728</u>	Net Carrying Amount	<u>78,709</u>	<u>36,728</u>
<u>692,273</u>	<u>591,113</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>692,273</u>	<u>591,113</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.

Illawarra Shoalhaven 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
2018				
Net carrying amount at start of year	502,837	51,548	36,728	591,113
Additions	6,423	10,735	1	17,159
Reclassifications from Intangibles	----	116	----	116
Disposals	----	(532)	----	(532)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(59)	----	(59)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	95,725	----	20,234	115,959
Depreciation Expense	(19,578)	(9,615)	(2,290)	(31,483)
Reclassifications	(23,998)	(38)	24,036	----
Net carrying amount at end of year	561,409	52,155	78,709	692,273

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2017				
Net carrying amount at start of year	501,591	51,946	38,554	592,091
Additions	21,565	6,974	----	28,539
Disposals	----	(127)	----	(127)
Depreciation Expense	(18,525)	(9,039)	(1,826)	(29,390)
Reclassifications	(1,794)	1,794	----	----
Net carrying amount at end of year	502,837	51,548	36,728	591,113

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

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

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		18. Intangible Assets		
		Intangibles		
1,102	1,218	Cost (Gross Carrying Amount)	1,102	1,218
1,080	1,059	Less Accumulated Amortisation and Impairment	1,080	1,059
<u>22</u>	<u>159</u>	Net Carrying Amount	<u>22</u>	<u>159</u>
<u>22</u>	<u>159</u>	Total Intangible Assets at Net Carrying Amount	<u>22</u>	<u>159</u>

PARENT & CONSOLIDATION

18. Intangible Assets - Reconciliation

	Total \$000
2018	
Net carrying amount at start of year	159
Reclassifications to Plant & Equipment	(116)
Amortisation (Recognised in Depreciation and Amortisation)	(21)
Net carrying amount at end of year	22

	Total \$000
2017	
Net carrying amount at start of year	248
Amortisation (Recognised in Depreciation and Amortisation)	(89)
Net carrying amount at end of year	159

Illawarra Shoalhaven 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
		19. Other Assets		
		Non-Current		
210	202	Emerging Rights to Assets (refer Note 1(ag))	210	202
<u>210</u>	<u>202</u>		<u>210</u>	<u>202</u>
		Amounts Recognised in Other Comprehensive Income Relating to Emerging Rights to Assets		
1	1	Emerging Rights to Assets - Asset Revaluation	1	1
<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

20. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	59,990	482,519	542,509
- Infrastructure Systems	----	----	78,709	78,709
Other Assets (Note 19) Emerging Assets	----	----	210	210
	-----	-----	-----	-----
	-----	<u>59,990</u>	<u>561,438</u>	<u>621,428</u>

There were no transfers between level 1 and 2 during the period 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	----	10,292	463,343	473,635
- Infrastructure Systems	----	----	36,728	36,728
Other Assets (Note 19) Emerging Assets	----	----	202	202
	-----	-----	-----	-----
	-----	<u>10,292</u>	<u>500,273</u>	<u>510,565</u>

There were no transfers between level 1 and 2 during the period 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.

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

PARENT & CONSOLIDATION

20. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the ISLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the FY17/18 financial year. Opteon Solutions is an independent entity and is not an associated entity of ISLHD.

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

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

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

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

20. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	463,343	36,728	202	500,273
Additions	23,607	1	6	23,614
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	84,459	20,234	2	104,695
Transfers from Level 2	1,987	----	----	1,987
Transfers to Level 2	(47,208)	----	----	(47,208)
Depreciation	(19,671)	(2,290)	----	(21,961)
Reclassification	(23,998)	24,036	----	38
Fair value as at 30 June 2018	<u>482,519</u>	<u>78,709</u>	<u>210</u>	<u>561,438</u>

There were no transfers between Level 1 or 2 during the period ended 30 June 2018.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	480,586	38,554	99	519,239
Additions	958	----	103	1,061
Depreciation	(18,201)	(1,826)	----	(20,027)
Fair value as at 30 June 2017	<u>463,343</u>	<u>36,728</u>	<u>202</u>	<u>500,273</u>

There were no transfers between Level 1 or 2 during the period ended 30 June 2017.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

21. Restricted Assets

ISLHD'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
Facility Improvements	10,661	27	4,086	14,720
Patient Welfare	3,606	688	927	3,845
Private Practice Disbursements (No.2 Accounts)	15,827	3,182	4,177	16,822
Public Contributions	2,134	880	865	2,119
Research	1,255	375	519	1,399
Staff Welfare	11	-----	-----	11
Training and Education incl. Conferences	2,087	409	166	1,844
	35,581	5,561	10,740	40,760

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.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

Illawarra Shoalhaven 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
22. Payables				
Current				
----	----	Accrued Salaries, Wages and On-Costs	18,001	15,869
----	----	Taxation and Payroll Deductions	2,236	4,372
20,237	20,241	Accrued Liability - Purchase of Personnel Services	----	----
22,806	19,632	Creditors	22,806	19,632
Other Creditors				
11,365	11,082	- Payables to entities controlled by the immediate parent	11,365	11,082
6,199	6,041	- Other	6,199	6,041
<u>60,607</u>	<u>56,996</u>		<u>60,607</u>	<u>56,996</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent. They include HealthShare NSW, South Eastern Sydney Local Health District, Sydney Children's Hospital Network, Ministry of Health and South Western Sydney Local Health District.

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

23. Borrowings				
Current				
447	----	Other Loans	447	----
<u>447</u>	<u>----</u>		<u>447</u>	<u>----</u>
Non-Current				
4,717	----	Other Loans	4,717	----
<u>4,717</u>	<u>----</u>		<u>4,717</u>	<u>----</u>

'Other Loans' include balances due to the NSW Treasury, an entity controlled by the ultimate parent.

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

Final Repayment of loan is scheduled for 30 June 2028.

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		24. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	56,222	52,582
----	----	Annual Leave - Long Term Benefit	17,110	15,216
----	----	Long Service Leave Consequential On-Costs	13,188	11,071
----	----	Provision for Other Employee Benefits*	1,417	1,270
87,937	80,139	Provision for Personnel Services Liability	----	----
<u>87,937</u>	<u>80,139</u>		<u>87,937</u>	<u>80,139</u>
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	1,147	963
1,147	963	Provision for Personnel Services Liability	----	----
<u>1,147</u>	<u>963</u>		<u>1,147</u>	<u>963</u>
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	87,937	80,139
----	----	Provisions - Non-Current	1,147	963
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	20,237	20,241
109,321	101,343	Liability - Purchase of Personnel Services	----	----
<u>109,321</u>	<u>101,343</u>		<u>109,321</u>	<u>101,343</u>

*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
25. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
47,306	4,721	Within one year	47,306	4,721
19,663	409	Later than one year and not later than five years	19,663	409
74,602	-----	Later than five years	74,602	-----
<u>141,571</u>	<u>5,130</u>	Total Capital Expenditure Commitments (Including GST)	<u>141,571</u>	<u>5,130</u>

The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.

b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,863	5,124	Within one year	3,863	5,124
3,688	6,959	Later than one year and not later than five years	3,688	6,959
189	249	Later than five years	189	249
<u>7,740</u>	<u>12,332</u>	Total Operating Lease Commitments (Including GST)	<u>7,740</u>	<u>12,332</u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

Some 'operating lease commitments' contracted but not provided for related to leases with NSW Department of Finance, Services & Innovation, an entity controlled by the ultimate parent.

- c) **Contingent Asset Related to Commitments for Expenditure**
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$149.311m as at 30 June 2018 (2017 \$17.462m) includes input tax credits of \$13.523m that are expected to be recoverable from the Australian Taxation Office (2017 \$1.565m).

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

26. Trust Funds

ISLHD holds trust funds of \$195,000 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 ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	176	151	----	----	----	----	176	151
Revenue	10	25	18,966	17,486	9	----	18,985	17,511
Expenses	----	----	(18,966)	(17,486)	----	----	(18,966)	(17,486)
Balance at the end of the financial year	186	176	----	----	9	----	195	176

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

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

Category

Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposit	A sum of money held in trust as a security deposit.
Private Practice Trusts	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

27. Contingent Liabilities and Assets

- a) Contingent asset related to commitment of expenditure - refer to note 25c)
- b) District considers it has no contingent liabilities at reporting date.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
28. Reconciliation of Cash Flows from Operating Activities to Net Result				
13,637	32,828	Net Cash Flows from Operating Activities	13,637	32,828
(31,504)	(29,479)	Depreciation and Amortisation	(31,504)	(29,479)
(668)	(489)	Impairment of Receivables	(668)	(489)
(7,982)	(6,331)	(Increase)/ Decrease in Provisions	(7,982)	(6,331)
6,246	4,156	Increase / (Decrease) in Prepayments and Other Assets	6,246	4,156
(3,585)	(6,225)	(Increase)/ Decrease in Payables from Operating Activities	(3,585)	(6,225)
(212)	(1,627)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(212)	(1,627)
57	201	Assets donated or brought to account for the first time	57	201
<u>(24,011)</u>	<u>(6,966)</u>	Net Result	<u>(24,011)</u>	<u>(6,966)</u>
29. Non-Cash Financing and Investing Activities				
57	201	Assets Received by Donation	57	201
<u>57</u>	<u>201</u>		<u>57</u>	<u>201</u>

PARENT & CONSOLIDATION

30. Changes in Liabilities arising from Financing Activities

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	----	5,164	----	5,164

31. 2017/18 Voluntary Services

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

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities |
|---|---|

32. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the ISLHD 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 ISLHD.

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.

Illawarra Shoalhaven Local Health District
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PARENT & CONSOLIDATION

33. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$9.5 million, primarily due to:

Employee Related expense increased (including use of Visiting Medical Officers) as a result of higher activity and District investment in specific clinical safety initiatives. Non-cash impact of annual leave expense for additional staff and take-up of increase in leave provisions for Award increases due in July 2018 were also significant contributors. Sale of Goods and Services (Patient Fee and User Charges) revenue target was not achieved mainly due to lower than required take-up rate of private insurance usage. The District also received \$6.6M in Subsidy above budgeted amount. Since 2011, the District has operated at Performance Level '0'. This level requires minimal Ministry intervention and is the highest rating in the Ministry of Health performance matrix for Local Health Districts.

Assets and Liabilities

Current Assets were \$6M higher than budgeted mostly due to timing differences in receipt of capital debtors and receipt of energy efficiency loan \$5.1M. Non Current Assets increase of \$100M is primarily due to Revaluation of land & buildings as at 31 December 2017. Total Liabilities are \$10M higher due to increase in employee provisions (change in actuarial factors) and recognition of energy efficiency loan.

Cash Flows

Net Cash Flows from Operating Activities was influenced by higher than budgeted employee related expenses but was more than off-set by higher cash from revenue including cash assistance of \$6.6M. Net cashflows from Investing Activities recorded an outflow of \$17M reflecting a period of investment in property and equipment. District also received \$5.1M loan to implement Energy Efficiency Initiatives. This resulted in an overall Net Cash increase of \$2.1M for the year.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 30 June 2017 are as follows:

	\$000
Initial Allocation, 30 June 2017	728,347
Award Increases	13,418
Special Projects	
NSW 2017-18 NSW Aged Care Assessment Program	113
Integrated Care Initiative	260
Keep Them Safe Funding Allocations 2017-18	2,083
Meningococcal ACWY Vaccination Program	112
Mental Health Reform Innovation Fund	224
NSW Mental Health Reform Tranche 2 Funding 2017/18	771
Nurse and Midwifery Strategy Reserve	907
Other	
2017/18 Hospital in the Home Services	203
2017/18 Hospital Skills Program (HSP) Education Support Training	122
Future Directions Sustaining NSW Families Project	610
NSW Rural Generalist Medical and GP Procedural Training Program	196
Nurse and Midwifery Enhancements	165
Whole of Health Program Supplementation	180
Winter 2017 Activity	3,236
Winter Strategies Funding	319
Workplace Culture and Safety	227
Increasing Access to Elective Surgery Initiative	512
IPTAAS 2017/18	561
HCD Patient Co Payment	101
Voluntary Redundancy Reimbursement	343
VMO Fees for Service	399
Pathology Tests in Correctional Facilities	121
Other Allocations	13
	<hr/>
Balance as per Statement of Comprehensive Income	753,543

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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34. Financial Instruments

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

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

The A/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 ISLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT & CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 14)	N/A	44,408	42,336
Receivables (note 15)*	Loans and receivables (at amortised cost)	10,989	14,034
		55,397	56,370
Financial Liabilities			
Borrowings (note 23)	Financial liabilities measured at amortised cost	5,164	-----
Payables (note 22)**	Financial liabilities measured at amortised cost	58,371	52,624
		63,535	52,624

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). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

(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 ISLHD. 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 ISLHD, including cash, receivables and authority deposits. No collateral is held by ISLHD. ISLHD has not granted any financial guarantees.

Credit risk associated with ISLHD'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 2.35% in the previous year.

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

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

34. Financial Instruments

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that ISLHD 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.

ISLHD 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 ISLHD'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	9,667	12,790
Past due but not impaired ^{1,2}		
< 3 months overdue	845	725
3 - 6 months overdue	295	259
> 6 months overdue	182	260
Impaired ^{1,2}		
< 3 months overdue	102	51
3 - 6 months overdue	222	115
> 6 months overdue	350	596
Total^{1,2}	11,663	14,796

Notes

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

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

Authority Deposits

ISLHD has placed funds on deposit with TCorpIM Funds Investment facilities, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorpIM is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 0.14% (2017: 0.2%), while over the year the weighted average interest rate was 1.99% (2017: 2.37%) on a weighted average balance during the year of \$22.646m (2017: \$22.162m). None of these assets are past due or impaired.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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34. Financial Instruments

(c) Liquidity Risk

Liquidity risk is the risk that ISLHD will be unable to meet its payment obligations when they fall due. ISLHD 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.

ISLHD 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.

ISLHD 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 ISLHD 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.

Illawarra Shoalhaven Local Health District
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34. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018							
Payables:							
- Creditors ⁴	58,371	-----	-----	58,371	58,371	-----	-----
Borrowings:							
- Loans and Deposits	5,164	5,164	-----	-----	447	1,943	2,774
	63,535	5,164	-----	58,371	58,818	1,943	2,774
2017							
Payables:							
- Creditors ²	52,624	-----	-----	52,624	52,624	-----	-----
	52,624	-----	-----	52,624	52,624	-----	-----

Notes:

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

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

Illawarra Shoalhaven Local Health District
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34. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. ISLHD's exposures to market risk are primarily through interest rate risk on ISLHD's borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds investment facilities. ISLHD 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 ISLHD 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 ISLHD's interest bearing liabilities.

However, ISLHD 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. ISLHD 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.

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2018					
Financial Assets					
Cash and Cash Equivalents	44,408	(444)	(444)	444	444
Receivables	10,989	----	----	----	----
Financial Liabilities					
Payables*	58,371	----	----	----	----
Borrowings	5,164	52	52	(52)	(52)
2017					
Financial Assets					
Cash and Cash Equivalents	42,336	(423)	(423)	423	423
Receivables	14,034	----	----	----	----
Financial Liabilities					
Payables*	52,624	----	----	----	----

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

Illawarra Shoalhaven Local Health District
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(e) Fair Value Measurement

(i) Fair value compared to carrying amount

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

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

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

(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-----	22,844	-----	22,844
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorpIM Funds	-----	22,398	-----	22,398

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

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

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

Illawarra Shoalhaven Local Health District
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35. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	613	728
Post-employment benefits	56	66
	669	794

During the financial year, Illawarra Shoalhaven Local Health District obtained key management personnel services from the immediate parent and incurred \$ 386,037 (2017: \$367,733) for these services.

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

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

Transactions with key management personnel and their close family members

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

Transactions with ultimate parent

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

36. Interests in Associates

Set out below are the associates of ISLHD as at 30 June 2018, which in the opinion of management are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of Entity	Place of Business Country of Incorporation	Ownership Interest Held by ISLHD		Nature of Relationship	Measurement Method	Associate Equity Carrying Amount		ISLHD Carrying Amount	
		2018	2017			2018	2017	2018	2017
		%	%			%	%	%	%
Illawarra Health & Medical Research Institute	Australia	50	50	Associate	Equity	\$1 M	\$1 M	Nil	Nil

Illawarra Health & Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members.

Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed.

Illawarra Health & Medical Research Institute has a 30 June reporting period.

37. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS