

Murrumbidgee Local Health District

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District

To Members of the New South Wales Parliament

Opinion

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

The Chief Executive's 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.

S Bond .

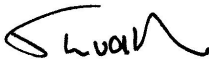
Sally Bond
Director, Financial Audit Service

5 September 2018
SYDNEY

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

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

- 1) The financial statements of the Murrumbidgee Local Health District for the year ended 30 June 2018 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Murrumbidgee 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.



Jill Ludford
Chief Executive
4 September 2018



Maurice Ahern
Director Finance and Performance
4 September 2018

Murrumbidgee Local Health District
Statement of Comprehensive Income for the year ended 30 June 2018

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2018	2018	2017		2018	2018	2017	
\$000	\$000	\$000		\$000	\$000	\$000	
Expenses excluding losses							
Operating Expenses							
----	----	----	Employee Related Expenses	2	340,063	330,545	313,823
327,684	318,299	306,637	Personnel Services	3	----	----	----
45,454	43,533	40,486	Visiting Medical Officers		45,454	43,533	40,486
204,057	196,810	191,786	Other Expenses	4	204,057	196,810	191,786
28,957	28,990	24,953	Depreciation and Amortisation	1(n), 5	28,957	28,990	24,953
1,834	1,769	1,735	Grants and Subsidies	6	1,834	1,769	1,735
12	----	14	Finance Costs	1(h), 7	12	----	14
15,898	16,053	16,298	Payments to Affiliated Health Organisations	8	15,898	16,053	16,298
623,896	605,454	581,909	Total Expenses excluding losses		636,275	617,700	589,095
Revenue							
478,075	459,726	434,910	NSW Ministry of Health Recurrent Allocations	1(i)	478,075	459,726	434,910
28,023	28,872	27,301	NSW Ministry of Health Capital Allocations	1(i)	28,023	28,872	27,301
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	12,379	12,246	7,186
91,095	95,585	90,060	Sale of Goods and Services	1(i), 9	91,095	95,585	90,060
228	243	191	Investment Revenue	1(i), 10	228	243	191
28,617	27,589	16,780	Grants and Other Contributions	1(i), 11	28,617	27,589	16,780
2,984	2,708	3,402	Other Income	13	2,984	2,708	3,402
629,022	614,723	572,644	Total Revenue		641,401	626,969	579,830
896	----	1	Gain / (Loss) on Disposal	14	896	----	1
(333)	(1,191)	(64)	Other Gains / (Losses)	15	(333)	(1,191)	(64)
5,689	8,078	(9,328)	Net Result	30	5,689	8,078	(9,328)
Other Comprehensive Income							
Items that will not be reclassified to net result							
----	----	----	Total Other Comprehensive Income		----	----	----
5,689	8,078	(9,328)	TOTAL COMPREHENSIVE INCOME		5,689	8,078	(9,328)

The accompanying notes form part of these financial statements.

Murrumbidgee 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						
2,200	4,138	6,565		2,200	4,138	6,565
16,102	14,393	13,843	16	16,102	14,393	13,843
1,465	1,468	1,469	17	1,465	1,468	1,469
5,000	5,000	----	18	5,000	5,000	----
24,767	24,999	21,877	19	24,767	24,999	21,877
Total Current Assets						
Non-Current Assets						
483,544	480,397	471,223		483,544	480,397	471,223
30,623	35,416	34,282	20	30,623	35,416	34,282
6,372	6,817	6,875	20	6,372	6,817	6,875
2,449	317	317	20	2,449	317	317
522,988	522,947	512,697		522,988	522,947	512,697
522,988	522,947	512,697		522,988	522,947	512,697
547,755	547,946	534,574		547,755	547,946	534,574
Total Assets						
LIABILITIES						
Current Liabilities						
43,950	43,800	40,645		43,950	43,800	40,645
182	(10)	76	23	182	(10)	76
39,794	38,758	36,615	24	39,794	38,758	36,615
267	85	85	25	267	85	85
84,193	82,633	77,421	26	84,193	82,633	77,421
Total Current Liabilities						
Non-Current Liabilities						
961	323	323		961	323	323
570	570	488	24	570	570	488
1,531	893	811	25	1,531	893	811
Total Non-Current Liabilities						
Total Liabilities						
85,724	83,526	78,232		85,724	83,526	78,232
462,031	464,420	456,342		462,031	464,420	456,342
Net Assets						
EQUITY						
11,185	13,068	13,068		11,185	13,068	13,068
450,846	451,352	443,274		450,846	451,352	443,274
462,031	464,420	456,342		462,031	464,420	456,342
Total Equity						

The accompanying notes form part of these financial statements.

Murrumbidgee 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		443,274	13,068	456,342
Total Equity at 1 July 2017		443,274	13,068	456,342
Net Result for the year		5,689	-----	5,689
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		1,883	(1,883)	-----
Total Other Comprehensive Income		1,883	(1,883)	-----
Total Comprehensive Income for the year		7,572	(1,883)	5,689
Balance at 30 June 2018		450,846	11,185	462,031
Balance at 1 July 2016		452,232	13,438	465,670
Total Equity at 1 July 2016		452,232	13,438	465,670
Net Result for the year		(9,328)	-----	(9,328)
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		370	(370)	-----
Total Other Comprehensive Income		370	(370)	-----
Total Comprehensive Income for the year		(8,958)	(370)	(9,328)
Balance at 30 June 2017		443,274	13,068	456,342

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---	Employee Related	(328,867)	(321,222)	(309,423)
(270,713)	(261,053)	(250,520)	Suppliers for Goods and Services	(270,713)	(261,053)	(250,520)
(19,491)	(19,581)	(19,809)	Grants and Subsidies	(19,491)	(19,581)	(19,809)
(12)	---	(12)	Finance Costs	(12)	---	(12)
(328,867)	(321,222)	(309,423)	Other	---	---	---
<u>(619,083)</u>	<u>(601,856)</u>	<u>(579,764)</u>	Total Payments	<u>(619,083)</u>	<u>(601,856)</u>	<u>(579,764)</u>
Receipts						
478,075	459,726	434,910	NSW Ministry of Health Recurrent Allocations	478,075	459,726	434,910
28,023	28,872	27,301	NSW Ministry of Health Capital Allocations	28,023	28,872	27,301
5,472	5,472	6,118	Reimbursements from the Crown Entity	5,472	5,472	6,118
89,880	94,996	93,695	Sale of Goods and Services	89,880	94,996	93,695
228	243	191	Interest Received	228	243	191
29,468	28,399	16,759	Grants and Other Contributions	29,468	28,399	16,759
26,112	25,939	25,275	Other	26,112	25,939	25,275
<u>657,258</u>	<u>643,647</u>	<u>604,249</u>	Total Receipts	<u>657,258</u>	<u>643,647</u>	<u>604,249</u>
<u>38,175</u>	<u>41,791</u>	<u>24,485</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>38,175</u>	<u>41,791</u>	<u>24,485</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
2,636	1	1	Proceeds from Sale of Property, Plant & Equipment	2,636	1	1
(40,921)	(39,133)	(26,733)	Purchases of Property, Plant & Equipment	(40,921)	(39,133)	(26,733)
(5,000)	(5,000)	---	Purchases of Financial Assets	(5,000)	(5,000)	---
<u>(43,285)</u>	<u>(44,132)</u>	<u>(26,732)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(43,285)</u>	<u>(44,132)</u>	<u>(26,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
820	820	---	Proceeds from Borrowings and Advances	820	820	---
(75)	(906)	(76)	Repayment of Borrowings and Advances	(75)	(906)	(76)
<u>745</u>	<u>(86)</u>	<u>(76)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>745</u>	<u>(86)</u>	<u>(76)</u>
(4,365)	(2,427)	(2,323)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,365)	(2,427)	(2,323)
6,565	6,565	8,888	Opening Cash and Cash Equivalents	6,565	6,565	8,888
<u>2,200</u>	<u>4,138</u>	<u>6,565</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>2,200</u>	<u>4,138</u>	<u>6,565</u>

The accompanying notes form part of these financial statements.

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

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

The MLHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The MLHD, 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 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Murrumbidgee Local Health District Special Purpose Service Entity, which was established as a Division of the MLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the MLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive on 4 September 2018.

b) Basis of Preparation

The MLHD'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(ad).

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

The Secretary of NSW Health, the Chair of the Murrumbidgee Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the MLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the MLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The MLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the MLHD 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.

Murrumbidgee 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 18.1% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The MLHD has assessed the actuarial advice based on the MLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

ii) Long Service Leave and Superannuation

The MLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The MLHD accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the MLHD as shown in Note 25.

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

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

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

Other provisions exist when the MLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

The MLHD'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.

Murrumbidgee 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) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with NSW Treasury's Mandate to not-for-profit NSW general government sector entities.

i) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the MLHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Grants and Other Contributions

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

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the *National Health Act 1953* for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The MLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the MLHD 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.

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

1. Statement of Significant Accounting Policies

Use of Hospital Facilities

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

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

Refer to Note 9 (b) for further details.

Use of Outside Facilities

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

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

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the MLHD 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.

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

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

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

- * amount of GST incurred by the MLHD 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.

k) 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.

l) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by the MLHD are deemed to be controlled by the MLHD and are reflected as such in the financial statements.

Murrumbidgee 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) Capitalisation Thresholds

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

n) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the MLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%

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

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

o) 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 20 and Note 21 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.

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

1. Statement of Significant Accounting Policies

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

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

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

p) 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.

q) 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.

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

The MLHD 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.

s) Maintenance

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

t) Leased Assets

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

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

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

u) Inventories

Inventories held for distribution are 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.

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

1. Statement of Significant Accounting Policies

w) 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.

x) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

y) Payables

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

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

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

z) Borrowings

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

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

aa) Fair Value Hierarchy

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

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

The MLHD 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 21 and Note 36 for further disclosures regarding fair value measurements of non-financial and financial assets.

Murrumbidgee 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

ab) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ac) Trust Funds

The MLHD receives monies in a trustee capacity for various trusts as set out in Note 28.

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

ad) Adjusted Budget Amounts

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

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

ae) 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 32 of these financial statements.

Murrumbidgee 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

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the MLHD 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.

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.

Murrumbidgee 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

Overview of Assessment Activities

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

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

Potential Impact on The MLHD'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 The MLHD.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Financial Instruments

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

Service Concession Arrangements

- * No significant impact expected on The MLHD.

Application Date

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

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	297,505	278,168
----	----	Superannuation - Defined Benefit Plans	2,875	3,093
----	----	Superannuation - Defined Contribution Plans	25,544	23,668
----	----	Long Service Leave	10,534	3,900
----	----	Redundancies	483	1,624
----	----	Workers' Compensation Insurance	3,091	3,338
----	----	Fringe Benefits Tax	31	32
<u>-----</u>	<u>-----</u>		<u>340,063</u>	<u>313,823</u>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Land and Buildings	188	44
<u>-----</u>	<u>-----</u>		<u>188</u>	<u>44</u>
		3. Personnel Services		
297,505	278,168	Salaries and Wages	----	----
25,544	23,668	Superannuation - Defined Contribution Plans	----	----
1,030	(193)	Long Service Leave	----	----
483	1,624	Redundancies	----	----
3,091	3,338	Workers' Compensation Insurance	----	----
31	32	Fringe Benefits Tax	----	----
<u>327,684</u>	<u>306,637</u>		<u>-----</u>	<u>-----</u>
		Personnel services of Murrumbidgee Local Health District was provided by its controlled entity, Murrumbidgee Local Health District Special Purpose Service Entity. The amounts below are capitalised and do not form part of the above total personnel services:		
188	44	Personnel Services Expenses Capitalised - Land and Buildings	----	----

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		4. Other Expenses		
246	136	Advertising	246	136
100	60	Auditor's Remuneration - Audit of Financial Statements	100	60
2,419	2,075	Blood and Blood Products	2,419	2,075
477	417	Consultancies	477	417
141	187	Contractors	141	187
18,272	16,817	Domestic Supplies and Services	18,272	16,817
12,138	16,129	Drug Supplies	12,138	16,129
17,212	16,429	Food Supplies	17,212	16,429
5,750	4,960	Fuel, Light and Power	5,750	4,960
15,960	14,597	Patient Transport Costs	15,960	14,597
9,831	9,497	Information Management Expenses	9,831	9,497
584	641	Insurance	584	641
17,890	17,671	Maintenance (See 4(b) below)	17,890	17,671
19,037	18,350	Medical and Surgical Supplies	19,037	18,350
1,321	1,216	Motor Vehicle Expenses	1,321	1,216
1,491	1,347	Postal and Telephone Costs	1,491	1,347
859	993	Printing and Stationery	859	993
1,017	824	Rates and Charges	1,017	824
4,276	4,112	Rental	4,276	4,112
4,807	4,483	Hosted Services Purchased from entities controlled by the immediate parent	4,807	4,483
35,254	33,206	Specialised Services (Dental, Radiology, Pathology, Allied Health)	35,254	33,206
7,438	5,554	Staff Related Costs	7,438	5,554
3,709	3,453	Travel Related Costs	3,709	3,453
23,828	18,632	Other (See 4(a) below)	23,828	18,632
204,057	191,786		204,057	191,786

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		4. Other Expenses		
		a) Other Includes:		
2,547	1,922	Contract for Patient Services	2,547	1,922
6,506	5,967	Corporate Support Services	6,506	5,967
461	416	Courier and Freight	461	416
3,880	3,885	Isolated Patient Travel and Accommodation Assistance Scheme	3,880	3,885
248	268	Legal Services	248	268
345	444	Membership/Professional Fees	345	444
1,865	1,960	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,865	1,960
240	169	Other Operating Lease Expense - Minimum Lease Payments	240	169
58	11	Quality Assurance/Accreditation	58	11
345	287	Security Services	345	287
7,333	3,303	Other Miscellaneous	7,333	3,303
<u>23,828</u>	<u>18,632</u>		<u>23,828</u>	<u>18,632</u>
		b) Reconciliation of Total Maintenance		
4,872	4,407	Maintenance Contracts	4,872	4,407
7,591	8,168	New/Replacement Equipment under \$10,000	7,591	8,168
5,023	4,888	Repairs Maintenance/Non Contract	5,023	4,888
404	208	Other	404	208
17,890	17,671	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	17,890	17,671
2,800	2,606	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,800	2,606
<u>20,690</u>	<u>20,277</u>		<u>20,690</u>	<u>20,277</u>

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

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

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

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Specialised Service Expenses' and 'Medical and Surgical Supplies' were paid to Health Administration Corporation which is an entity controlled by the immediate parent.

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		5. Depreciation and Amortisation		
22,064	17,803	Depreciation - Buildings	22,064	17,803
6,319	6,682	Depreciation - Plant and Equipment	6,319	6,682
421	422	Depreciation - Infrastructure Systems	421	422
153	46	Amortisation - Leasehold Improvements	153	46
<u>28,957</u>	<u>24,953</u>		<u>28,957</u>	<u>24,953</u>
		6. Grants and Subsidies		
1,542	1,499	Non-Government Organisations	1,542	1,499
191	110	Grants paid to entities controlled by the immediate parent	191	110
101	126	Other Grants	101	126
<u>1,834</u>	<u>1,735</u>		<u>1,834</u>	<u>1,735</u>
		7. Finance Costs		
10	12	Interest on Loans	10	12
2	2	Other Interest Charges	2	2
<u>12</u>	<u>14</u>		<u>12</u>	<u>14</u>
		8. Payments to Affiliated Health Organisations		
15,898	16,298	(a) Recurrent Sourced Mercy Health Service	15,898	16,298
<u>15,898</u>	<u>16,298</u>		<u>15,898</u>	<u>16,298</u>

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
54	57	Pharmacy Sales	54	57
957	980	Sale of Prosthesis	957	980
2	2	Other	2	2
b) Rendering of Services comprise the following:-				
		Patient Fees		
		- Inpatient Fees		
36,735	34,905		36,735	34,905
7,842	7,427	- Nursing Home Fees	7,842	7,427
2,024	1,907	- Non Inpatient Fees	2,024	1,907
10,145	9,753	Department of Veterans' Affairs	10,145	9,753
184	197	Staff-Meals and Accommodation	184	197
7,417	92	Infrastructure Fees - Monthly Facility Charge	7,417	92
16	17	Cafeteria/Kiosk	16	17
86	73	Car Parking	86	73
1	1	Child Care Fees	1	1
1,289	6,873	Clinical Services (excluding Clinical Drug Trials)	1,289	6,873
57	64	Commercial Activities	57	64
46	50	Fees for Medical Records	46	50
4	6	Information Retrieval	4	6
4,344	8,718	Highly Specialised Drugs	4,344	8,718
46	58	Linen Service Revenues - Non Health Services	46	58
2	2	Meals on Wheels	2	2
2,709	2,743	Motor Accident Authority Third Party	2,709	2,743
81	17	Patient Transport Fees	81	17
26	36	Private Use of Motor Vehicles	26	36
----	62	Salary Packaging Fee	----	62
1,138	1,232	Hosted Services Provided to entities controlled by immediate parent	1,138	1,232
278	439	Services Provided to Non NSW Health Organisations	278	439
9	9	Use of Ambulance Facilities	9	9
15,466	14,186	Multi Purpose Service Centre Fees	15,466	14,186
137	154	Other	137	154
91,095	90,060		91,095	90,060

Some 'Patient Transport Fees' revenue was earned from entities controlled by 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.

10. Investment Revenue				
228	191	Interest	228	191
228	191		228	191

Murrumbidgee 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
11. Grants and Other Contributions				
4,160	4,040	Commonwealth Government Grants	4,160	4,040
982	1,425	Industry Contributions/Donations	982	1,425
5,693	5,469	Cancer Institute Grants	5,693	5,469
15,140	3,072	Grants & Contributions received from entities controlled by the ultimate paren	15,140	3,072
192	1,309	Grants & Contributions received from entities controlled by the immediate par	192	1,309
6	2	Research Grants	6	2
2,444	1,463	Other Grants	2,444	1,463
28,617	16,780		28,617	16,780
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The majority of 'Grants that were received from entities controlled by the immediate parent' were received from Cancer Institute which is an entity controlled by the immediate parent.</p>				
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown				
----	----	Superannuation-defined benefit	2,875	3,093
----	----	Long Service Leave	9,504	4,093
----	----		12,379	7,186
13. Other Income				
Other Income comprises the following:-				
2	----	Bad Debts Recovered	2	----
18	15	Commissions	18	15
715	577	Conference and Training Fees	715	577
1	3	Insurance Refunds	1	3
943	876	Lease and Rental*	943	876
21	----	Sponsorship	21	----
1,056	1,703	Treasury Managed Fund Hindsight Adjustment	1,056	1,703
228	228	Other	228	228
2,984	3,402		2,984	3,402
<p>The majority of 'Lease and Rental' revenue was received from entities controlled by the immediate parent.</p> <p>Some 'Conference and Training fees' revenue was received from entities controlled by the ultimate parent.</p>				

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
14. Gain / (Loss) on Disposal				
35,841	3,601	Property, Plant and Equipment	35,841	3,601
<u>(35,826)</u>	<u>(3,601)</u>	Accumulated Depreciation	<u>(35,826)</u>	<u>(3,601)</u>
15	----	Written Down Value	15	----
36	1	Proceeds from Disposal	<u>36</u>	<u>1</u>
21	1	Gain/(Loss) on Disposal of Property, Plant and Equipment	21	1
<u>1,725</u>	----	Assets Held for Sale	<u>1,725</u>	----
2,600	----	Proceeds from Disposal	<u>2,600</u>	----
875	----	Gain/(Loss) on Disposal of Assets Held for Sale	875	----
<u>896</u>	<u>1</u>	Total Gain/(Loss) on Disposal	<u>896</u>	<u>1</u>
15. Other Gains / (Losses)				
<u>(333)</u>	<u>(64)</u>	Impairment of Receivables	<u>(333)</u>	<u>(64)</u>
(333)	(64)		(333)	(64)

Murrumbidgee 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. Cash and Cash Equivalents				
2,200	1,565	Cash at Bank and On Hand	2,200	1,565
-----	5,000	Short Term Deposits	-----	5,000
<u>2,200</u>	<u>6,565</u>		<u>2,200</u>	<u>6,565</u>
<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>				
2,200	6,565	Cash and Cash Equivalents (per Statement of Financial Position)	2,200	6,565
<u>2,200</u>	<u>6,565</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>2,200</u>	<u>6,565</u>

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

Murrumbidgee 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. Receivables				
Current				
6,410	5,975	Sale of Goods and Services	6,410	5,975
5,748	4,368	Intra Health Receivables	5,748	4,368
3,128	2,876	Goods and Services Tax	3,128	2,876
284	291	Other Debtors	284	291
<u>15,570</u>	<u>13,510</u>	Sub Total	<u>15,570</u>	<u>13,510</u>
(295)	(204)	Less Allowance for Impairment	(295)	(204)
<u>15,275</u>	<u>13,306</u>	Sub Total	<u>15,275</u>	<u>13,306</u>
827	537	Prepayments	827	537
<u>16,102</u>	<u>13,843</u>		<u>16,102</u>	<u>13,843</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 the immediate parent.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(190)	(462)	Balance at Commencement of Reporting Period	(190)	(462)
223	323	Amounts written off during the year	223	323
6	5	Amounts recovered during the year	6	5
(272)	(56)	(Increase)/decrease in Allowance Recognised in the Net Result	(272)	(56)
<u>(232)</u>	<u>(190)</u>	Balance at 30 June 2018	<u>(232)</u>	<u>(190)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(14)	(35)	Balance at Commencement of Reporting Period	(14)	(35)
12	29	Amounts written off during the year	12	29
(61)	(8)	(Increase)/decrease in Allowance Recognised in the Net Result	(61)	(8)
<u>(63)</u>	<u>(14)</u>	Balance at 30 June 2018	<u>(63)</u>	<u>(14)</u>
<u>(295)</u>	<u>(204)</u>		<u>(295)</u>	<u>(204)</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:				
786	564	Patient Fees - Compensable	786	564
291	398	Patient Fees - Ineligible	291	398
4,239	4,122	Patient Fees - Inpatient & Other	4,239	4,122
<u>5,316</u>	<u>5,084</u>		<u>5,316</u>	<u>5,084</u>

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

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		18. Inventories		
310	349	Drugs	310	349
866	668	Medical and Surgical Supplies	866	668
111	168	Engineering Supplies	111	168
178	284	Other Including Goods in Transit	178	284
1,465	1,469		1,465	1,469
		19. Other Financial Assets		
		Current		
5,000	----	Other Loans and Deposits	5,000	----
5,000	----		5,000	----

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
762,607	757,840	Gross Carrying Amount	762,607	757,840
279,063	286,617	Less: Accumulated Depreciation and Impairment	279,063	286,617
483,544	471,223	Net Carrying Amount	483,544	471,223
Plant and Equipment - Fair Value*				
60,062	63,729	Gross Carrying Amount	60,062	63,729
29,439	29,447	Less: Accumulated Depreciation and Impairment	29,439	29,447
30,623	34,282	Net Carrying Amount	30,623	34,282
Infrastructure Systems - Fair Value				
17,655	17,975	Gross Carrying Amount	17,655	17,975
11,283	11,100	Less: Accumulated Depreciation and Impairment	11,283	11,100
6,372	6,875	Net Carrying Amount	6,372	6,875
Leasehold Improvements - Fair Value*				
2,656	371	Gross Carrying Amount	2,656	371
207	54	Less: Accumulated Depreciation and Impairment	207	54
2,449	317	Net Carrying Amount	2,449	317
522,988	512,697	Total Property, Plant and Equipment At Net Carrying Amount	522,988	512,697

* 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.

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

20. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net carrying amount at start of year	471,223	34,282	6,875	317	512,697
Additions	36,028	2,608	----	2,285	40,921
Recognition of Assets Held for Sale	(1,643)	----	(82)	----	(1,725)
Disposals	----	(15)	----	----	(15)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	67	----	----	67
Depreciation Expense	(22,064)	(6,319)	(421)	(153)	(28,957)
Net carrying amount at end of year	483,544	30,623	6,372	2,449	522,988

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017					
Net carrying amount at start of year	464,804	37,516	7,297	363	509,980
Additions	24,485	2,248	----	----	26,733
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	937	----	----	937
Depreciation Expense	(17,803)	(6,682)	(422)	(46)	(24,953)
Reclassifications	(263)	263	----	----	----
Net carrying amount at end of year	471,223	34,282	6,875	317	512,697

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the MLHD [see note 1(i)].
- (ii) Indices provided by Opteon Property Group were not applied as they were deemed immaterial.

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

21. 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 20)				
- Land and Buildings	----	4,154	230,305	234,459
- Infrastructure Systems	----	----	6,372	6,372
	-----	-----	-----	-----
	<u>-----</u>	<u>4,154</u>	<u>236,677</u>	<u>240,831</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 20.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	4,293	249,651	253,944
- Infrastructure Systems	----	----	6,875	6,875
	-----	-----	-----	-----
	<u>-----</u>	<u>4,293</u>	<u>256,526</u>	<u>260,819</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 20.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the MLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Property Group for the FY15/16 financial year. Opteon Property Group is an independent entity and is not an associated entity of the MLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made.

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

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

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

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

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

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	249,651	6,875	256,526
Transfers to Level 2	(1,409)	----	(1,409)
Depreciation	(16,294)	(421)	(16,715)
Transfer to Assets Held for Sale	(1,643)	(82)	(1,725)
Fair value as at 30 June 2018	<u>230,305</u>	<u>6,372</u>	<u>236,677</u>

There were no transfers between Level 1 or 2 during the periods 1 July 2017 and 30 June 2018.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	265,367	7,297	272,664
Transfers to Level 2	(2,976)	----	(2,976)
Disposals	(364)	----	(364)
Depreciation	(12,376)	(422)	(12,798)
Fair value as at 30 June 2017	<u>249,651</u>	<u>6,875</u>	<u>256,526</u>

There were no transfers between Level 1 or 2 during the periods 1 July 2016 and 30 June 2017.

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

22. Restricted Assets

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	2	----	----	2
Facility Improvements	1,106	221	188	1,073
Patient Welfare	599	53	66	611
Private Practice Disbursements (No.2 Accounts)	8	1	----	7
Public Contributions	2,876	823	1,287	3,340
Research	9	3	0	6
Staff Welfare	32	(6)	(15)	23
Training and Education incl. Conferences	195	10	5	190
Other	22	----	(22)	----
	4,849	1,105	1,509	5,253

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

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

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	9,707	8,452
----	----	Taxation and Payroll Deductions	1,107	1,006
10,814	9,458	Accrued Liability - Purchase of Personnel Services	----	----
17,895	16,510	Creditors	17,895	16,510
		Other Creditors		
388	106	- Capital Works	388	106
8,541	10,983	- Payables to entities controlled by the immediate parent	8,541	10,983
6,312	3,588	- Other	6,312	3,588
<u>43,950</u>	<u>40,645</u>		<u>43,950</u>	<u>40,645</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. Some of the balance at reporting date was payable to the immediate parent.

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

		24. Borrowings		
		Current		
182	76	Other Loans and Deposits	182	76
<u>182</u>	<u>76</u>		<u>182</u>	<u>76</u>
		Non-Current		
961	323	Other Loans and Deposits	961	323
<u>961</u>	<u>323</u>		<u>961</u>	<u>323</u>

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 2025

Other loans still to be extinguished represent monies to be repaid to the immediate parent; and the NSW Treasury, which is controlled by the ultimate parent.

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

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		25. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	29,033	27,541
----	----	Annual Leave - Long Term Benefit	3,359	2,989
----	----	Long Service Leave Consequential On-Costs	6,559	5,612
----	----	Provision for Other Employee Benefits*	843	473
39,794	36,615	Provision for Personnel Services Liability	----	----
39,794	36,615		39,794	36,615
		*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.		
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	570	488
570	488	Provision for Personnel Services Liability	----	----
570	488		570	488
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	39,794	36,615
----	----	Provisions - Non-Current	570	488
----	----	Accrued Salaries, Wages and On-Costs (Note 23)	10,814	9,458
51,178	46,561	Liability - Purchase of Personnel Services	----	----
51,178	46,561		51,178	46,561
		26. Other Liabilities		
		Current		
267	85	Income in Advance	267	85
267	85		267	85

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
27. 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:				
38,286	18,092	Within one year	38,286	18,092
<u>10,856</u>	<u>4,947</u>	Later than one year and not later than five years	<u>10,856</u>	<u>4,947</u>
<u><u>49,141</u></u>	<u><u>23,039</u></u>	Total Capital Expenditure Commitments (Including GST)	<u><u>49,141</u></u>	<u><u>23,039</u></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:				
3,792	3,159	Within one year	3,792	3,159
7,521	6,396	Later than one year and not later than five years	7,521	6,396
<u>1,669</u>	<u>2,400</u>	Later than five years	<u>1,669</u>	<u>2,400</u>
<u><u>12,982</u></u>	<u><u>11,955</u></u>	Total Operating Lease Commitments (Including GST)	<u><u>12,982</u></u>	<u><u>11,955</u></u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$62.1M million as at 30 June 2018 includes input tax credits of \$4.89M that are expected to be recoverable from the Australian Taxation Office (2017 \$3.18M).				

Murrumbidgee Local Health District
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28. Trust Funds

The MLHD holds trust funds of \$4.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These funds are excluded from the financial statements as the MLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Unclassified		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	76	92	2,663	978	143	428	121	179	18	218	3,021	1,895
Revenue	10	13	1,791	1,689	448	3,669	45	59	(18)	(200)	2,276	5,230
Expenses	(8)	(29)	(744)	(4)	(404)	(3,954)	(54)	(117)	----	----	(1,210)	(4,104)
Balance at the end of the financial year	78	76	3,710	2,663	187	143	112	121	----	18	4,087	3,021

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	Purpose
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.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

Murrumbidgee Local Health District
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29. Contingent Liabilities and Assets

Murrumbidgee Local Health District has no contingent Liabilities

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
38,175	24,485	Net Cash Flows from Operating Activities	38,175	24,485
(28,957)	(24,953)	Depreciation and Amortisation	(28,957)	(24,953)
(333)	(64)	Impairment of Receivables	(333)	(64)
(182)	(34)	(Increase)/ Decrease Income in Advance	(182)	(34)
(3,263)	(1,363)	(Increase)/ Decrease in Provisions	(3,263)	(1,363)
2,571	(3,006)	Increase / (Decrease) in Prepayments and Other Assets	2,571	(3,006)
(3,285)	(5,331)	(Increase)/ Decrease in Payables from Operating Activities	(3,285)	(5,331)
896	1	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	896	1
67	937	Assets donated or brought to account for the first time	67	937
5,689	(9,328)	Net Result	5,689	(9,328)
31. Non-Cash Financing and Investing Activities				
67	937	Assets Received by Donation	67	937
67	937		67	937

PARENT & CONSOLIDATION

32. Changes in Liabilities arising from Financing Activities

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	399	745	(1)	1,143

33. 2017/18 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the MLHD. 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 |
|---|---|

34. Unclaimed Monies

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

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.

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PARENT AND CONSOLIDATION

35. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than adjusted budget by \$2 million, primarily due to:

The following highlight the material variances to the Adjusted Budget. Higher Employee Related expenses (+\$9.5M) were linked to higher activity and the increased costs through overtime and the use of external agency staff to assist meeting demand. The increased activity also contributed to higher VMO expenses (+\$1.9M) and higher Other Expenses (Goods & services) (\$7.2M). Increased expenses were offset by increased NSW Ministry Recurrent Allocation (+\$18.3M). Sale of Goods & Services revenues were lower (-\$4.6M) than budget in part reflecting changing revenue streams such as private health insurance revenues and other compensable revenues.

Assets and Liabilities

At 30 June overall Current & Non-Current Assets were in line with Budget allowances. Receivables were \$1.8M higher than the budget allowance reflecting the timing of debt recovery for patient services billings and accrued Intra Health (other NSW entities) charges. Current Liabilities were marginally higher than the budget allowance - mainly in Employee Provisions (+\$1.3M).

Cash Flows

Payments were higher than budget by \$17.2M substantially in the Employee Related and Supplier of Goods & Services categories. Receipts compared to budget were at \$13.6M higher reflecting increased Ministry of Health Recurrent allocations +\$18.3M, Grants & Contributions +\$1.0M. Cash receipts from Sale of Goods & Services were lower than budget by -\$5.1M

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 28 July 2017 are as follows:

	\$000
Initial Allocation	446,854
Budget Assistance	3,644
Isolated Patients Travel and Accommodation Assistance Scheme	2,416
Rural Doctors Obstetric and Anaesthetic Incentive Grants	415
Nursing Strategy Reserves	1,071
Prior Yr Revenue Washups	(933)
Supplementation for Winter Activity	811
Medical Training Programs	938
VMO Fee for Service Enhancements	805
Integrated Care Initiatives	550
Voluntary Redundancies	477
Mental Health Enhancements	273
Critical Maintenance Works	346
Other Miscellaneous Enhancements	2,059
	459,726
Balance as per Statement of Comprehensive Income	459,726

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36. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 16)	N/A	2,200	6,565
Receivables (note 17)*	Loans and receivables (at amortised cost)	12,147	10,430
Other Financial Assets (note 19)	Loans and receivables (at amortised cost)	5,000	----
		19,347	16,995
Financial Liabilities			
Borrowings (note 24)	Financial liabilities measured at amortised cost	1,143	399
Payables (note 23)**	Financial liabilities measured at amortised cost	42,843	39,639
		43,986	40,038

Notes

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

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

(b) Credit Risk

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

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

Credit risk associated with the MLHD'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.

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36. Financial Instruments

Receivables - trade debtors

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

The MLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

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

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

	2018	2017
	\$000	\$000
Neither past due nor impaired	11,487	9,512
Past due but not impaired ^{1,2}		
< 3 months overdue	553	746
3 - 6 months overdue	73	131
> 6 months overdue	34	41
Impaired ^{1,2}		
< 3 months overdue	41	41
3 - 6 months overdue	62	86
> 6 months overdue	192	77
Total ^{1,2}	12,442	10,634

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.

36. Financial Instruments

(c) Liquidity Risk

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

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

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

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

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

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

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

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36. Financial Instruments

The table below summarises the maturity profile of the MLHD'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	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000
2018						
Payables:						
- Creditors ²	42,843	----	42,843	42,843	----	----
Borrowings:						
- Loans and Deposits	1,143	1,143	----	182	708	253
	<u>43,986</u>	<u>1,143</u>	<u>42,843</u>	<u>43,025</u>	<u>708</u>	<u>253</u>
2017						
Payables:						
- Creditors ²	39,639	----	39,639	39,639	----	----
Borrowings:						
- Loans and Deposits	399	399	----	76	323	----
	<u>40,038</u>	<u>399</u>	<u>39,639</u>	<u>39,715</u>	<u>323</u>	<u>----</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the MLHD 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).

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36. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The MLHD's exposures to market risk are primarily through interest rate risk on the MLHD's borrowings.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the MLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

The MLHD'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	2,200	(22)	(22)	22	22
Receivables	12,147	----	----	----	----
Other Financial Assets	5,000	(50)	(50)	50	50
Financial Liabilities					
Payables*	42,843	----	----	----	----
Borrowings	1,143	11	11	(11)	(11)
2017					
Financial Assets					
Cash and Cash Equivalents	6,565	(66)	(66)	66	66
Receivables	10,430	----	----	----	----
Financial Liabilities					
Payables*	39,639	----	----	----	----
Borrowings	399	4	4	(4)	(4)

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

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37. Related Party Transactions

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Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	803	655
Post-employment benefits	51	50
	854	705

During the financial year, Murrumbidgee Local Health District obtained key management personnel services from the immediate parent and incurred \$ 0.3M (2017: \$ 0.3M) 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).

38. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS

