

# **Northern NSW Local Health District**

## **Financial Statements**

for the year ended 30 June 2018





## INDEPENDENT AUDITOR'S REPORT

### Northern NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

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

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

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

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

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

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

I have nothing to report in this regard.

## **The Chief Executive's Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read "R Meimaroglou". The signature is written in a cursive, flowing style.

Renee Meimaroglou  
Director, Financial Audit Service

28 August 2018  
SYDNEY

**Northern NSW 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 Northern NSW 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 Northern NSW Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Lynne Weir  
**AI Chief Executive**  
27 August 2018



Northern NSW Local Health District  
Statement of Financial Position as at 30 June 2018

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2018	2018	2017			2018	2018	2017		
\$000	\$000	\$000			\$000	\$000	\$000		
			<b>ASSETS</b>						
			<b>Current Assets</b>						
17,632	12,273	17,053			17,632	12,273	17,053		
17,977	20,209	20,190		15	17,977	20,209	20,190		
1,723	1,712	1,713		16	1,723	1,712	1,713		
37,332	34,194	38,956		17	37,332	34,194	38,956		
----	----	----			37,332	34,194	38,956		
<b>37,332</b>	<b>34,194</b>	<b>38,956</b>		19	<b>37,332</b>	<b>34,194</b>	<b>38,956</b>		
			<b>Non-Current Assets Held for Sale</b>						
			<b>Total Current Assets</b>						
			<b>Non-Current Assets</b>						
1	1	1		16	1	1	1		
591,259	594,420	566,132		18	591,259	594,420	566,132		
41,595	36,805	37,743		18	41,595	36,805	37,743		
21,834	22,086	22,713		18	21,834	22,086	22,713		
654,688	653,311	626,588			654,688	653,311	626,588		
<b>654,689</b>	<b>653,312</b>	<b>626,589</b>			<b>654,689</b>	<b>653,312</b>	<b>626,589</b>		
<b>692,021</b>	<b>687,506</b>	<b>665,545</b>			<b>692,021</b>	<b>687,506</b>	<b>665,545</b>		
			<b>LIABILITIES</b>						
			<b>Current Liabilities</b>						
55,949	52,247	51,107		22	55,949	52,247	51,107		
664	648	648		23	664	648	648		
64,464	62,096	58,515		24	64,464	62,096	58,515		
56	23	23		25	56	23	23		
121,133	115,014	110,293			121,133	115,014	110,293		
			<b>Total Current Liabilities</b>						
			<b>Non-Current Liabilities</b>						
5,141	5,169	5,805		23	5,141	5,169	5,805		
849	849	721		24	849	849	721		
91	94	94		25	91	94	94		
<b>6,081</b>	<b>6,112</b>	<b>6,620</b>			<b>6,081</b>	<b>6,112</b>	<b>6,620</b>		
<b>127,214</b>	<b>121,126</b>	<b>116,913</b>			<b>127,214</b>	<b>121,126</b>	<b>116,913</b>		
<b>564,807</b>	<b>566,380</b>	<b>548,632</b>			<b>564,807</b>	<b>566,380</b>	<b>548,632</b>		
			<b>EQUITY</b>						
46,755	35,219	35,219			46,755	35,219	35,219		
518,052	531,161	513,413			518,052	531,161	513,413		
<b>564,807</b>	<b>566,380</b>	<b>548,632</b>			<b>564,807</b>	<b>566,380</b>	<b>548,632</b>		

The accompanying notes form part of these financial statements.



**Northern NSW 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
<b>Balance at 1 July 2017</b>		513,413	35,219	548,632
<b>Total Equity at 1 July 2017</b>		<b>513,413</b>	<b>35,219</b>	<b>548,632</b>
<b>Net Result for the year</b>		16,335	----	16,335
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	18	----	(160)	(160)
Transfers on Disposal		(11,696)	11,696	----
<b>Total Other Comprehensive Income</b>		<b>(11,696)</b>	<b>11,536</b>	<b>(160)</b>
<b>Total Comprehensive Income for the year</b>		<b>4,639</b>	<b>11,536</b>	<b>16,175</b>
<b>Balance at 30 June 2018</b>		<b>518,052</b>	<b>46,755</b>	<b>564,807</b>
<b>Balance at 1 July 2016</b>		474,127	20,088	494,215
<b>Total Equity at 1 July 2016</b>		<b>474,127</b>	<b>20,088</b>	<b>494,215</b>
<b>Net Result for the year</b>		39,238	----	39,238
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	18	----	15,179	15,179
Transfers on Disposal		48	(48)	----
<b>Total Other Comprehensive Income</b>		<b>48</b>	<b>15,131</b>	<b>15,179</b>
<b>Total Comprehensive Income for the year</b>		<b>39,286</b>	<b>15,131</b>	<b>54,417</b>
<b>Balance at 30 June 2017</b>		<b>513,413</b>	<b>35,219</b>	<b>548,632</b>

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
—	—	—				
(322,953)	(319,891)	(324,288)		(472,011)	(482,535)	(442,736)
(4,791)	(4,871)	(5,192)		(322,953)	(319,891)	(324,288)
(157)	(188)	(188)		(4,791)	(4,871)	(5,192)
(472,011)	(482,535)	(442,736)		(157)	(188)	(188)
				—	—	—
(799,912)	(807,485)	(772,404)		(799,912)	(807,485)	(772,404)
<b>Receipts</b>						
658,552	658,552	613,237		658,552	658,552	613,237
40,340	40,426	62,089		40,340	40,426	62,089
9,113	9,112	7,763		9,113	9,112	7,763
78,241	80,189	97,806		78,241	80,189	97,806
285	231	227		285	231	227
42,804	42,638	32,922		42,804	42,638	32,922
30,526	28,935	31,969		30,526	28,935	31,969
859,861	860,083	846,013		859,861	860,083	846,013
<b>59,949</b>	<b>52,598</b>	<b>73,609</b>		<b>59,949</b>	<b>52,598</b>	<b>73,609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
1,253	—	1,361		1,253	—	1,361
(59,975)	(56,742)	(68,755)		(59,975)	(56,742)	(68,755)
<b>(58,722)</b>	<b>(56,742)</b>	<b>(67,394)</b>		<b>(58,722)</b>	<b>(56,742)</b>	<b>(67,394)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(648)	(636)	(618)		(648)	(636)	(618)
<b>(648)</b>	<b>(636)</b>	<b>(618)</b>		<b>(648)</b>	<b>(636)</b>	<b>(618)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
579	(4,780)	5,597		579	(4,780)	5,597
17,053	17,053	11,456		17,053	17,053	11,456
<b>17,632</b>	<b>12,273</b>	<b>17,053</b>		<b>17,632</b>	<b>12,273</b>	<b>17,053</b>

The accompanying notes form part of these financial statements.

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

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

The District, as a reporting entity, comprises all the entities under its control, namely:

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 21), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Northern NSW Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the A/Chief Executive on 27 August 2018.

**b) Basis of Preparation**

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ag).

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

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

Other circumstances why the going concern assumption is appropriate include:

- \* Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- \* The District has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Northern NSW 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 18.3% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

**ii) Long Service Leave and Superannuation**

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 24.

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

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

**iii) Consequential On-Costs**

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

**iv) Other Provisions**

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

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

**1. Statement of Significant Accounting Policies**

**f) Insurance**

The District's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

**g) Grants and Subsidies**

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

**h) 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 District transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*Grants and Other Contributions*

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

*Patient Fees*

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

*Highly Specialised Drugs*

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

*Motor Accident Authority Third Party*

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

*Department of Veterans' Affairs*

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the District on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

*Investment Revenue*

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

Northern NSW 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**

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

Refer to Note 8 (b) for further details.

*Use of Outside Facilities*

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

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

*NSW Ministry of Health Allocations*

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

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

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

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

**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.

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

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

**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.

Northern NSW 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**

**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 District. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	2018	2017
Artwork	5.0%	5.0%
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- Computer Equipment	20.0%	20.0%
- Electro Medical Equipment		
* Costing less than \$200,000	10.0%	10.0%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5.0%	5.0%
- Linen	25.0%	25.0%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20.0%	20.0%
- Office Equipment	10.0%	10.0%
- Plant and Machinery	10.0%	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 18 and Note 20 for further information regarding fair value.

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

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

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

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

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

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

**1. Statement of Significant Accounting Policies**

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

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

**s) Intangible Assets**

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

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

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

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

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

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

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

**t) 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.

**u) 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.



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

**1. Statement of Significant Accounting Policies**

**v) 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.

**w) 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.

**x) Investments**

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

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

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

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

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

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

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

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

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

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

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

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

**y) 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.

Northern NSW 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**

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.

**z) De-recognition of Financial Assets and Financial Liabilities**

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

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

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

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

**aa) Payables**

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

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

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

**ab) 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.

**ac) Fair Value Hierarchy**

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

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

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

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

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

**1. Statement of Significant Accounting Policies**

**ad) Equity Transfers**

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

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

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

**ae) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

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

**af) Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 27.

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

**ag) Adjusted Budget Amounts**

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 33.

**1. Statement of Significant Accounting Policies**

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

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

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

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

**(ii) Issued but not yet effective**

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

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

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

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

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

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

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

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

## 1. Statement of Significant Accounting Policies

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

### Overview of Assessment Activities

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

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

### Potential Impact on The District's Financial Report

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

#### Leases

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

#### Revenue and Income of Not-for-Profit Entities

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

#### Financial Instruments

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

#### Service Concession Arrangements

- \* No significant impact expected on The District.

### Application Date

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

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

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>2. Employee Related Expenses</b>		
----	----	Salaries and Wages (including annual leave and ADO)	427,691	398,027
----	----	Superannuation - Defined Benefit Plans	3,817	4,244
----	----	Superannuation - Defined Contribution Plans	37,315	34,741
----	----	Long Service Leave	17,540	7,106
----	----	Redundancies	197	94
----	----	Workers' Compensation Insurance	5,218	5,441
----	----	Fringe Benefits Tax	35	23
<u>-----</u>	<u>-----</u>		<u>491,813</u>	<u>449,676</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	1,451	650
<u>-----</u>	<u>-----</u>		<u>1,451</u>	<u>650</u>
		<b>3. Personnel Services</b>		
427,691	398,027	Salaries and Wages	----	----
37,315	34,741	Superannuation - Defined Contribution Plans	----	----
1,605	(75)	Long Service Leave	----	----
197	94	Redundancies	----	----
5,218	5,441	Workers' Compensation Insurance	----	----
35	23	Fringe Benefits Tax	----	----
<u>472,061</u>	<u>438,251</u>		<u>-----</u>	<u>-----</u>
		Personnel services of Northern NSW Local Health District was provided by its controlled entity, Northern NSW Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
1,451	650	Personnel Services Expenses Capitalised - Land and Buildings	----	----

Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
63	127	Advertising	63	127
127	154	Auditor's Remuneration - Audit of Financial Statements	127	154
3,849	3,372	Blood and Blood Products	3,849	3,372
236	525	Consultancies	236	525
1,087	579	Contractors	1,087	579
9,855	9,668	Domestic Supplies and Services	9,855	9,668
28,569	46,910	Drug Supplies	28,569	46,910
15,359	14,837	Food Supplies	15,359	14,837
5,583	4,712	Fuel, Light and Power	5,583	4,712
10,993	9,613	Patient Transport Costs	10,993	9,613
10,919	10,272	Information Management Expenses	10,919	10,272
936	883	Insurance	936	883
20,503	18,369	Maintenance (See 4(b) below)	20,503	18,369
38,124	37,135	Medical and Surgical Supplies	38,124	37,135
1,294	1,183	Motor Vehicle Expenses	1,294	1,183
1,692	1,605	Postal and Telephone Costs	1,692	1,605
1,796	1,853	Printing and Stationery	1,796	1,853
1,215	962	Rates and Charges	1,215	962
3,167	2,515	Rental	3,167	2,515
847	2,479	Hosted Services Purchased from entities controlled by the immediate parent	847	2,479
33,553	33,013	Specialised Services (Dental, Radiology, Pathology, Allied Health )	33,553	33,013
4,298	3,639	Staff Related Costs	4,298	3,639
3,309	2,605	Travel Related Costs	3,309	2,605
18,993	18,649	Other (See 4(a) below)	18,993	18,649
<b>216,367</b>	<b>225,659</b>		<b>216,367</b>	<b>225,659</b>

Northern NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>4. Other Expenses</b>		
		<b>a) Other Includes:</b>		
476	466	Contract for Patient Services	476	466
8,969	8,585	Corporate Support Services	8,969	8,585
467	458	Courier and Freight	467	458
1,818	258	Isolated Patient Travel and Accommodation Assistance Scheme	1,818	258
234	108	Legal Services	234	108
30	36	Membership/Professional Fees	30	36
1,352	1,628	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,352	1,628
1,808	1,953	Other Operating Lease Expense - Minimum Lease Payments	1,808	1,953
141	201	Quality Assurance/Accreditation	141	201
638	1,418	Security Services	638	1,418
3,060	3,538	Other Miscellaneous	3,060	3,538
<b>18,993</b>	<b>18,649</b>		<b>18,993</b>	<b>18,649</b>
		<b>b) Reconciliation of Total Maintenance</b>		
7,108	5,818	Maintenance Contracts	7,108	5,818
8,908	8,384	New/Replacement Equipment under \$10,000	8,908	8,384
4,487	4,166	Repairs Maintenance/Non Contract	4,487	4,166
----	1	Other	----	1
20,503	18,369	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	20,503	18,369
2,606	2,545	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,606	2,545
<b>23,109</b>	<b>20,914</b>		<b>23,109</b>	<b>20,914</b>

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

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

The majority of '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.

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

Some 'Medical and Surgical Supplies' expenses were paid to Health Administration Corporation, an entity controlled by the immediate parent.



Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
21,311	20,950	Depreciation - Buildings	21,311	20,950
8,210	6,974	Depreciation - Plant and Equipment	8,210	6,974
919	873	Depreciation - Infrastructure Systems	919	873
<u>30,440</u>	<u>28,797</u>		<u>30,440</u>	<u>28,797</u>
<b>6. Grants and Subsidies</b>				
2,053	2,131	Non-Government Organisations	2,053	2,131
30	-----	Grants to Research Organisations	30	-----
146	113	Grants paid to entities controlled by the immediate parent	146	113
2,239	2,535	Other Grants	2,239	2,535
<u>4,468</u>	<u>4,779</u>		<u>4,468</u>	<u>4,779</u>
<p>The majority of 'Grants paid to entities controlled by the immediate parent' were paid to Mid North Coast Local Health District, an entity controlled by the immediate parent.</p>				
<b>7. Finance Costs</b>				
157	188	Interest on Loans	157	188
<u>157</u>	<u>188</u>		<u>157</u>	<u>188</u>

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>8. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
83	126	Pharmacy Sales	83	126
1,308	1,387	Sale of Prosthesis	1,308	1,387
31	71	Other	31	71
b) Rendering of Services comprise the following:-				
		Patient Fees		
25,583	24,355	- Inpatient Fees	25,583	24,355
1,200	1,280	- Nursing Home Fees	1,200	1,280
2,087	1,796	- Non Inpatient Fees	2,087	1,796
11,430	13,696	Department of Veterans' Affairs	11,430	13,696
160	135	Staff-Meals and Accommodation	160	135
8,731	9,435	Infrastructure Fees - Monthly Facility Charge	8,731	9,435
1,094	437	Infrastructure Fees - Annual Charge	1,094	437
13	23	Cafeteria/Kiosk	13	23
555	400	Car Parking	555	400
473	564	Clinical Services (excluding Clinical Drug Trials)	473	564
24	38	Commercial Activities	24	38
1	1	Enteral Nutrition	1	1
79	66	Fees for Medical Records	79	66
2	2	Information Retrieval	2	2
15,781	35,259	Highly Specialised Drugs	15,781	35,259
5,418	5,292	Motor Accident Authority Third Party	5,418	5,292
119	20	Patient Transport Fees	119	20
25	37	Private Use of Motor Vehicles	25	37
202	201	Salary Packaging Fee	202	201
1,992	1,891	Hosted Services Provided to entities controlled by immediate parent	1,992	1,891
72	85	Services Provided to Non NSW Health Organisations	72	85
447	322	Other	447	322
<b>76,910</b>	<b>96,919</b>		<b>76,910</b>	<b>96,919</b>
All of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA) an entity controlled by the ultimate parent.				
<b>9. Investment Revenue</b>				
285	227	Interest	285	227
<b>285</b>	<b>227</b>		<b>285</b>	<b>227</b>

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>10. Grants and Other Contributions</b>				
349	392	Clinical Drug Trials	349	392
7,871	7,643	Commonwealth Government Grants	7,871	7,643
1,939	2,585	Industry Contributions/Donations	1,939	2,585
5,778	5,665	Cancer Institute Grants	5,778	5,665
18,554	7,622	Grants & Contributions received from entities controlled by the ultimate parent	18,554	7,622
620	1,692	Grants & Contributions received from entities controlled by the immediate parent	620	1,692
50	18	Research Grants	50	18
5,591	5,978	Other Grants	5,591	5,978
<b>40,752</b>	<b>31,595</b>		<b>40,752</b>	<b>31,595</b>

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

The majority of 'Grants & Contributions received from entities controlled by the ultimate parent' were received from the Crown Finance Entity (Restart Grants) on capital projects.

Some of 'Grants & Contributions received from entities controlled by the immediate parent' were received from Mid North Coast Local Health District and Cancer Institute NSW

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

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

----	----	Superannuation-defined benefit	3,817	4,244
----	----	Long Service Leave	15,935	7,181
<b>----</b>	<b>----</b>		<b>19,752</b>	<b>11,425</b>

**12. Other Income**

Other Income comprises the following:-

46	45	Commissions	46	45
18	3	Conference and Training Fees	18	3
680	1,370	Insurance Refunds	680	1,370
358	328	Lease and Rental	358	328
13	3	Sale of Merchandise, Old Wares and Books	13	3
526	2,598	Treasury Managed Fund Hindsight Adjustment	526	2,598
369	598	Other	369	598
<b>2,010</b>	<b>4,945</b>		<b>2,010</b>	<b>4,945</b>

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

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>13. Gain / (Loss) on Disposal</b>				
49,142	4,004	Property, Plant and Equipment	49,142	4,004
<u>(47,534)</u>	<u>(2,491)</u>	Accumulated Depreciation	<u>(47,534)</u>	<u>(2,491)</u>
<b>1,608</b>	<b>1,513</b>	<b>Written Down Value</b>	<b>1,608</b>	<b>1,513</b>
1,253	288	Proceeds from Disposal	1,253	288
<u>(355)</u>	<u>(1,225)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(355)</u>	<u>(1,225)</u>
-----	692	Assets Held for Sale	-----	692
-----	1,073	Proceeds from Disposal	-----	1,073
<u>-----</u>	<u>381</u>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<u>-----</u>	<u>381</u>
<u>(355)</u>	<u>(844)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(355)</u>	<u>(844)</u>
<b>14. Other Gains / (Losses)</b>				
<u>(443)</u>	<u>(642)</u>	Impairment of Receivables	<u>(443)</u>	<u>(642)</u>
<u>(443)</u>	<u>(642)</u>		<u>(443)</u>	<u>(642)</u>

Northern NSW Local Health District  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>15. Cash and Cash Equivalents</b>				
17,632	17,053	Cash at Bank and On Hand	17,632	17,053
<b>17,632</b>	<b>17,053</b>		<b>17,632</b>	<b>17,053</b>
<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 &amp; 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>				
17,632	17,053	Cash and Cash Equivalents (per Statement of Financial Position)	17,632	17,053
<b>17,632</b>	<b>17,053</b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b>17,632</b>	<b>17,053</b>

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

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>16. Receivables</b>				
<b>Current</b>				
7,394	6,968	Sale of Goods and Services	7,394	6,968
2,609	6,817	Intra Health Receivables	2,609	6,817
5,366	3,962	Goods and Services Tax	5,366	3,962
1,003	1,357	Other Debtors	1,003	1,357
<u>16,372</u>	<u>19,104</u>	<b>Sub Total</b>	<u>16,372</u>	<u>19,104</u>
(421)	(383)	Less Allowance for Impairment	(421)	(383)
<u>15,951</u>	<u>18,721</u>	<b>Sub Total</b>	<u>15,951</u>	<u>18,721</u>
2,026	1,469	Prepayments	2,026	1,469
<u><b>17,977</b></u>	<u><b>20,190</b></u>		<u><b>17,977</b></u>	<u><b>20,190</b></u>
<p>The majority of 'Intra Health Receivables' include amounts receivable from the Immediate Parent, and some amounts receivable from the Cancer Institute NSW, an entity controlled by the immediate parent.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(305)	(398)	Balance at Commencement of Reporting Period	(305)	(398)
425	779	Amounts written off during the year	425	779
(480)	(686)	(Increase)/decrease in Allowance Recognised in the Net Result	(480)	(686)
<u>(360)</u>	<u>(305)</u>	Balance at 30 June 2018	<u>(360)</u>	<u>(305)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(78)	(203)	Balance at Commencement of Reporting Period	(78)	(203)
48	32	Amounts written off during the year	48	32
(31)	93	(Increase)/decrease in Allowance Recognised in the Net Result	(31)	93
<u>(61)</u>	<u>(78)</u>	Balance at 30 June 2018	<u>(61)</u>	<u>(78)</u>
<u><b>(421)</b></u>	<u><b>(383)</b></u>		<u><b>(421)</b></u>	<u><b>(383)</b></u>
<b>Non-Current</b>				
460	528	Sale of Goods and Services	460	528
460	528	<b>Sub Total</b>	460	528
(459)	(527)	Less Allowance for Impairment	(459)	(527)
<u>1</u>	<u>1</u>	<b>Sub Total</b>	<u>1</u>	<u>1</u>
<u><b>1</b></u>	<u><b>1</b></u>		<u><b>1</b></u>	<u><b>1</b></u>

Northern NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>16. Receivables</b>		
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(527)	(479)	Balance at Commencement of Reporting Period	(527)	(479)
68	(48)	(Increase)/decrease in Allowance Recognised in	68	(48)
(459)	(527)	the Net Result	(459)	(527)
		Balance at 30 June 2018	(459)	(527)
			<u>(459)</u>	<u>(527)</u>
			<u>(459)</u>	<u>(527)</u>
		b) The current and non-current sale of goods and services		
		balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
1,412	947	Patient Fees - Compensable	1,412	947
661	687	Patient Fees - Ineligible	661	687
3,678	4,092	Patient Fees - Inpatient & Other	3,678	4,092
			<u>5,751</u>	<u>5,726</u>
			<u>5,751</u>	<u>5,726</u>

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

Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>17. Inventories</b>		
1,532	1,509	Drugs	1,532	1,509
191	204	Medical and Surgical Supplies	191	204
<b>1,723</b>	<b>1,713</b>		<b>1,723</b>	<b>1,713</b>



Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>18. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
984,719	983,581	Gross Carrying Amount	984,719	983,581
393,460	417,449	Less: Accumulated Depreciation and Impairment	393,460	417,449
<u>591,259</u>	<u>566,132</u>	Net Carrying Amount	<u>591,259</u>	<u>566,132</u>
<b>Plant and Equipment - Fair Value*</b>				
84,049	73,760	Gross Carrying Amount	84,049	73,760
42,454	36,017	Less: Accumulated Depreciation and Impairment	42,454	36,017
<u>41,595</u>	<u>37,743</u>	Net Carrying Amount	<u>41,595</u>	<u>37,743</u>
<b>Infrastructure Systems - Fair Value</b>				
37,481	37,441	Gross Carrying Amount	37,481	37,441
15,647	14,728	Less: Accumulated Depreciation and Impairment	15,647	14,728
<u>21,834</u>	<u>22,713</u>	Net Carrying Amount	<u>21,834</u>	<u>22,713</u>
<u>654,688</u>	<u>626,588</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>654,688</u>	<u>626,588</u>

\* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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**PARENT & CONSOLIDATION**

**18. Property, Plant and Equipment - Reconciliation**

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

	<b>Land and Buildings \$000</b>	<b>Plant and Equipment \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total \$000</b>
<b>2018</b>				
Net carrying amount at start of year	566,132	37,743	22,713	<b>626,588</b>
Additions	54,737	5,199	40	<b>59,976</b>
Disposals	----	(1,608)	----	<b>(1,608)</b>
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	332	----	<b>332</b>
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(160)	----	----	<b>(160)</b>
Depreciation Expense	(21,311)	(8,210)	(919)	<b>(30,440)</b>
Reclassifications	(8,139)	8,139	----	----
<b>Net carrying amount at end of year</b>	<b>591,259</b>	<b>41,595</b>	<b>21,834</b>	<b>654,688</b>

	<b>Land and Buildings \$000</b>	<b>Plant and Equipment \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total \$000</b>
<b>2017</b>				
Net carrying amount at start of year	524,096	31,097	18,007	<b>573,200</b>
Additions	64,878	3,876	----	<b>68,754</b>
Recognition of Assets Held for Sale	(692)	----	----	<b>(692)</b>
Disposals	(1,057)	(456)	----	<b>(1,513)</b>
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	457	----	<b>457</b>
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	14,411	----	768	<b>15,179</b>
Depreciation Expense	(20,950)	(6,974)	(873)	<b>(28,797)</b>
Reclassifications	(14,554)	9,743	4,811	----
<b>Net carrying amount at end of year</b>	<b>566,132</b>	<b>37,743</b>	<b>22,713</b>	<b>626,588</b>

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 1(l)].
- (ii) Indices provided by Liquid Pacific Pty Ltd were not applied as they were less than the materiality threshold of 10% [see note 20(b)].

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>19. Non-Current Assets Held for Sale</b>		
		<b>Assets Held for Sale</b>		
----	----	Land and Buildings	----	----
----	----	Infrastructure Systems	----	----
-----	-----		-----	-----
-----	-----		-----	-----

The non-current assets held for sale constitute assets that are surplus to requirements and are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

This asset relates to the Mullumbimby Hospital which is no longer required with the opening of the new Byron Central Hospital. The District anticipates the sale to be finalised prior to 31 December 2018. This asset is currently recorded at \$1. Due to rounding in the Financial Statements this note shows a \$Nil balance.

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**PARENT & CONSOLIDATION**

**20. Fair Value Measurement of Non-Financial Assets**

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

**a) Fair Value Hierarchy**

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	19,583	368,678	388,261
- Infrastructure Systems	----	----	17,265	17,265
	----	<u>19,583</u>	<u>385,943</u>	<u>405,526</u>

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

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

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	19,621	385,517	405,138
- Infrastructure Systems	----	----	18,080	18,080
	----	<u>19,621</u>	<u>403,597</u>	<u>423,218</u>

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

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

**b) Valuation Techniques, Inputs and Processes**

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

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

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

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**PARENT & CONSOLIDATION**

**20. Fair Value Measurement of Non-Financial Assets**

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

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

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

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

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

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**PARENT & CONSOLIDATION**

**20. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>2018</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2017	385,517	18,080	403,597
Depreciation	(16,839)	(815)	(17,654)
Fair value as at 30 June 2018	<b>368,678</b>	<b>17,265</b>	<b>385,943</b>

There were no transfers between Level 1 or 2 during the year.

<b>2017</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2016	309,849	10,598	320,447
Additions	78,253	7,495	85,748
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	14,916	767	15,683
Depreciation	(17,501)	(780)	(18,281)
Fair value as at 30 June 2017	<b>385,517</b>	<b>18,080</b>	<b>403,597</b>

There were no transfers between Level 1 or 2 during the year.

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**PARENT & CONSOLIDATION**

**21. Restricted Assets**

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Facility Improvements	5,233	894	1,659	5,998
Holds Funds in Perpetuity	82	2	111	191
Patient Welfare	31	2	6	35
Private Practice Disbursements (No.2 Accounts)	2,339	175	1,148	3,312
Public Contributions	460	266	272	466
Research	80	----	2	82
Staff Welfare	78	----	2	80
Training and Education incl. Conferences	1,862	73	448	2,237
	<b>10,165</b>	<b>1,412</b>	<b>3,648</b>	<b>12,401</b>

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

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

Category	Purpose
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to 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.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>22. Payables</b>				
<b>Current</b>				
----	----	Accrued Salaries, Wages and On-Costs	15,706	12,194
----	----	Taxation and Payroll Deductions	2,388	2,300
18,094	14,494	Accrued Liability - Purchase of Personnel Services	----	----
20,665	25,345	Creditors	20,665	25,345
Other Creditors				
2,066	1,205	- Capital Works	2,066	1,205
6,453	4,424	- Payables to entities controlled by the immediate parent	6,453	4,424
8,671	5,639	- Other	8,671	5,639
<b>55,949</b>	<b>51,107</b>		<b>55,949</b>	<b>51,107</b>

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.

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

<b>23. Borrowings</b>				
<b>Current</b>				
664	648	Other Loans and Deposits	664	648
<b>664</b>	<b>648</b>		<b>664</b>	<b>648</b>
<b>Non-Current</b>				
5,141	5,805	Other Loans and Deposits	5,141	5,805
<b>5,141</b>	<b>5,805</b>		<b>5,141</b>	<b>5,805</b>

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 2026

Other loans still to be extinguished represent monies to be repaid to NSW Treasury, which is controlled by the ultimate parent. The above loan is in relation to the Energy Efficient Government Program.

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



Northern NSW Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>24. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	43,809	42,288
----	----	Annual Leave - Long Term Benefit	9,816	7,410
----	----	Long Service Leave Consequential On-Costs	9,762	8,286
----	----	Provision for Other Employee Benefits*	1,077	531
64,464	58,515	Provision for Personnel Services Liability	----	----
<b>64,464</b>	<b>58,515</b>		<b>64,464</b>	<b>58,515</b>
*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.				
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	849	721
849	721	Provision for Personnel Services Liability	----	----
<b>849</b>	<b>721</b>		<b>849</b>	<b>721</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	64,464	58,515
----	----	Provisions - Non-Current	849	721
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	18,094	14,494
83,407	73,730	Liability - Purchase of Personnel Services	----	----
<b>83,407</b>	<b>73,730</b>		<b>83,407</b>	<b>73,730</b>
<b>25. Other Liabilities</b>				
<b>Current</b>				
----	----	Income in Advance	56	23
56	23		<b>56</b>	<b>23</b>
<b>Non-Current</b>				
----	----	Other	91	94
91	94		<b>91</b>	<b>94</b>

Other represents transferred employees benefits at fixed transfer dates and contracts entered into to transfer employees of the District to St Vincent's Private Hospital.

The liability above represents employee benefits transferred at the contract date.

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<b>PARENT</b>			<b>CONSOLIDATION</b>	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>26. Commitments for Expenditure</b>				
<b>a) Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
76,373	12,269	Within one year	76,373	12,269
37,677	63,947	Later than one year and not later than five years	37,677	63,947
114,050	76,216	<b>Total Capital Expenditure Commitments (Including GST)</b>	114,050	76,216
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
<b>b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
3,437	3,244	Within one year	3,437	3,244
3,891	3,372	Later than one year and not later than five years	3,891	3,372
50	167	Later than five years	50	167
7,378	6,783	<b>Total Operating Lease Commitments (Including GST)</b>	7,378	6,783
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
<b>c) Contingent Asset Related to Commitments for Expenditure</b>				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$121.428 million as at 30 June 2018 includes input tax credits of \$11.032 that are expected to be recoverable from the Australian Taxation Office (2017 \$7.545m).				

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**PARENT & CONSOLIDATION**

**27. Trust Funds**

The District holds trust funds of \$1.7 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 District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		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
Balance at the beginning of the financial year	142	129	436	278	1,081	744	12	3	1,671	1,154
Revenue	913	858	5,683	4,689	4,265	4,370	----	12	10,861	9,929
Expenses	(949)	(845)	(5,876)	(4,531)	(3,987)	(4,033)	(12)	(3)	(10,824)	(9,412)
Balance at the end of the financial year	<b>106</b>	<b>142</b>	<b>243</b>	<b>436</b>	<b>1,359</b>	<b>1,081</b>	<b>----</b>	<b>12</b>	<b>1,708</b>	<b>1,671</b>

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

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
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.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>28. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
59,949	73,609	Net Cash Flows from Operating Activities	59,949	73,609
(30,440)	(28,797)	Depreciation and Amortisation	(30,440)	(28,797)
(443)	(642)	Impairment of Receivables	(443)	(642)
(34)	(14)	(Increase)/ Decrease Income in Advance	(34)	(14)
(6,078)	(1,602)	(Increase)/ Decrease in Provisions	(6,078)	(1,602)
(1,973)	(609)	Increase / (Decrease) in Prepayments and Other Assets	(1,973)	(609)
(4,623)	(2,320)	(Increase)/ Decrease in Payables from Operating Activities	(4,623)	(2,320)
(355)	(844)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(355)	(844)
332	457	Assets donated or brought to account for the first time	332	457
<b>16,335</b>	<b>39,238</b>	<b>Net Result</b>	<b>16,335</b>	<b>39,238</b>
<b>29. Non-Cash Financing and Investing Activities</b>				
332	457	Assets Received by Donation	332	457
<b>332</b>	<b>457</b>		<b>332</b>	<b>457</b>

**PARENT & CONSOLIDATION**

**30. Changes in Liabilities arising from Financing Activities**

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	6,453	(648)	-----	5,805

**31. 2017/18 Voluntary Services**

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

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

**32. Unclaimed Monies**

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

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

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**PARENT AND CONSOLIDATION**

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

**Net Result**

The actual Net Result was lower than adjusted budget by \$1.4 million, primarily due to:

Lower than budgeted Expenses of \$3.1 million, lower than budgeted Revenues of (\$4.1) million and higher than budgeted Other Gains/(Losses) of \$0.5 million.

The lower than budget Expenses of \$3.1 million was represented by lower than budgeted Employee Related Expenses \$5.6 million. This is primarily associated with tight staffing controls implemented to offset higher than budgeted Expenses for Visiting Medical Officers \$3.2 million. The Higher than budgeted Visiting Medical Officer costs were associated with activity performance above target.

The lower than budget Revenue of \$4.1 million was represented by lower than budgeted Sale of Goods and Services \$2.8 million and lower than budget Other Income \$1.3 million. Sale of Goods and Services of \$2.8 million is mainly related to reducing in Department of Veterans' Affairs of \$2.3 million. The lower than budget Other Income \$1.3 million is mainly due to decreases in Treasury Managed Fund Hindsight Adjustment.

**Assets and Liabilities**

Current Assets were \$3.1 million higher than budget. This was due mainly to higher than budget Cash and Cash Equivalents of \$5.3 million and lower than budget Receivables \$2.2 million. The higher than budget Cash relates primarily to higher Restricted Financial Assets of \$1.8 million and General Cash of \$3.5 million resulting from a reduction in Receivables of \$2.2 million, an increase in Payables relating to VMO and Staff Allowance backpays delayed until 2019 of \$2.7 million and Cash Flows from Investing Activities \$2.0 million higher than budget. Receivables were lower than budget due to reductions in Intra Health Receivables.

Current Liabilities were higher than budget by \$6.1 million. This related to higher than budget Payables \$3.7 million and Provisions \$2.4 million. The Payables increase mainly relates to an additional days accrual for Salaries and Wages, recognition of Rostered Days Off accrual and Staff Allowances backpay to occur in 2018-19. The Provisions increase relates to award increase 2.5% and increase in Full Time Equivalent staff of 3.9%.

Non current Assets were \$1.4 million higher than budget. This was due to additional expenditure on essential equipment above budget which was funded from the lower than budget Expense result.

**Cash Flows**

Operating Activities - Net cash inflows were higher than budget by \$7.4 million. Operating Payments were lower than budget by \$7.6 million and Operating Receipts were lower than budget by \$0.2 million. The Operating Payments were higher than budget due mainly to Employee Related Expenses.

Investing Activities - Net cash outflows were higher than budget by \$2.0 million. This related to Purchases of Property, Plant and Equipment funded from the lower than budget Expense result.

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

	<b>\$000</b>
Initial Allocation, 20 June 2017	642,108
Award Increases	1,080
Special Projects	
Integrated Care	3,825
Mental Health	2,070
Oral Health	265
Other	
Additional Activity	4,463
Excess Cash Requirements	(2,883)
Equipment Replacement & Critical Maintenance	1,986
Hospital in the Home	905
Improving Workplace Culture	197
Isolated Patient Transport And Assistance Scheme	367
Medical training & reseach positions	1,158
Nursing Enhancements	1,284
Other Ehancements	1,530
Redundancy	197
<b>Balance as per Statement of Comprehensive Income</b>	<b>658,552</b>

Northern NSW Local Health District  
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**34. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT & CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018	2017
		\$000	\$000
Cash and Cash Equivalents (note 15)	N/A	17,632	17,053
Receivables (note 16)*	Loans and receivables (at amortised cost)	10,586	14,760
		28,218	31,813
<b>Financial Liabilities</b>			
Borrowings (note 23)	Financial liabilities measured at amortised cost	5,805	6,453
Payables (note 22)**	Financial liabilities measured at amortised cost	53,561	48,807
Other Liabilities (note 25)	Financial liabilities measured at amortised cost	91	94
		59,457	55,354

Notes

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

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

**(b) Credit Risk**

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

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

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

Northern NSW Local Health District  
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### 34. Financial Instruments

#### 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.

#### Receivables - trade debtors

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

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

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

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

	2018	2017
	\$000	\$000
Neither past due nor impaired	8,886	13,525
Past due but not impaired <sup>1,4</sup>		
< 3 months overdue	1,292	926
3 - 6 months overdue	292	44
> 6 months overdue	116	265
Impaired <sup>1,2</sup>		
< 3 months overdue	116	80
3 - 6 months overdue	122	156
> 6 months overdue	642	674
<b>Total<sup>1,2</sup></b>	<b>11,466</b>	<b>15,670</b>

#### Notes

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

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

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**34. Financial Instruments**

**(c) Liquidity Risk**

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

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

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

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

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

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

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



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**34. Financial Instruments**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2018</b>							
Payables:							
- Creditors <sup>2</sup>	53,561	-----	-----	53,561	53,561	-----	-----
Borrowings:							
- Loans and Deposits	6,442	6,442	-----	-----	805	3,221	2,416
Other	91	-----	-----	91	91	-----	-----
	<u>60,094</u>	<u>6,442</u>	<u>-----</u>	<u>53,652</u>	<u>54,457</u>	<u>3,221</u>	<u>2,416</u>
<b>2017</b>							
Payables:							
- Creditors <sup>2</sup>	48,807	-----	-----	48,807	48,807	-----	-----
Borrowings:							
- Loans and Deposits	7,247	7,247	-----	-----	805	3,221	3,221
- Other	94	-----	-----	94	94	-----	-----
	<u>56,148</u>	<u>7,247</u>	<u>-----</u>	<u>48,901</u>	<u>49,706</u>	<u>3,221</u>	<u>3,221</u>

Notes:

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

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

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**34. Financial Instruments**

**(d) Market Risk**

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

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

*Interest rate risk*

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	17,632	(176)	(176)	176	176
Receivables	10,586	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	53,561	----	----	----	----
Borrowings	5,805	----	----	----	----
Other	91	----	----	----	----
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	17,053	(171)	(171)	171	171
Receivables	14,760	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	48,807	----	----	----	----
Borrowings	6,453	----	----	----	----
Other	94	----	----	----	----

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

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**35. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	1,249	1,331
Post-employment benefits	77	84
Other long-term benefits	----	----
Termination benefits	----	----
	<b>1,326</b>	<b>1,415</b>

During the financial year, Northern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$344,000 (2017: \$323,000) for these services.

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

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

**Transactions with key management personnel and their close family members**

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

**Transactions with ultimate parent**

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

**36. Events After the Reporting Period**

There have not been any matters arising subsequent to balance date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**

