

**Southern NSW  
Local Health District**

**Financial Statements**

for the year ended 30 June 2018





## INDEPENDENT AUDITOR'S REPORT

### Southern NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

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

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](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 assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

S Bond .

Sally Bond  
Director, Financial Audit Service

6 September 2018  
SYDNEY

**Southern 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 Southern 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 Southern 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.



Andrew Newton  
**Chief Executive**  
4 September 2018



Colin Weeks  
**Director of Finance and Corporate Services**  
4 September 2018



Southern 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 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
<b>ASSETS</b>						
<b>Current Assets</b>						
6,127	5,700	8,696		6,127	5,700	8,696
9,753	7,896	7,876	14	9,753	7,896	7,876
849	754	754	15	849	754	754
<u>16,729</u>	<u>14,350</u>	<u>17,326</u>	16	<u>16,729</u>	<u>14,350</u>	<u>17,326</u>
-----	850	850		-----	850	850
<u>16,729</u>	<u>15,200</u>	<u>18,176</u>	18	<u>16,729</u>	<u>15,200</u>	<u>18,176</u>
<b>Non-Current Assets Held for Sale</b>						
<b>Total Current Assets</b>						
<b>Non-Current Assets</b>						
192	198	253		192	198	253
319,105	315,429	316,911	15	319,105	315,429	316,911
24,561	29,432	26,016	17	24,561	29,432	26,016
15,866	15,871	16,081	17	15,866	15,871	16,081
<u>359,532</u>	<u>360,732</u>	<u>359,008</u>		<u>359,532</u>	<u>360,732</u>	<u>359,008</u>
<u>359,724</u>	<u>360,930</u>	<u>359,261</u>		<u>359,724</u>	<u>360,930</u>	<u>359,261</u>
<u>376,453</u>	<u>376,130</u>	<u>377,437</u>		<u>376,453</u>	<u>376,130</u>	<u>377,437</u>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
29,904	23,169	22,846		29,904	23,169	22,846
27,595	26,346	25,287	21	27,595	26,346	25,287
473	146	146	22	473	146	146
<u>57,972</u>	<u>49,661</u>	<u>48,279</u>	23	<u>57,972</u>	<u>49,661</u>	<u>48,279</u>
<b>Non-Current Liabilities</b>						
390	390	342		390	390	342
<u>390</u>	<u>390</u>	<u>342</u>	22	<u>390</u>	<u>390</u>	<u>342</u>
<u>58,362</u>	<u>50,051</u>	<u>48,621</u>		<u>58,362</u>	<u>50,051</u>	<u>48,621</u>
<u>318,091</u>	<u>326,079</u>	<u>328,816</u>		<u>318,091</u>	<u>326,079</u>	<u>328,816</u>
<b>EQUITY</b>						
464	589	589		464	589	589
317,627	325,490	328,227		317,627	325,490	328,227
<u>318,091</u>	<u>326,079</u>	<u>328,816</u>		<u>318,091</u>	<u>326,079</u>	<u>328,816</u>

The accompanying notes form part of these financial statements.

Southern 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
Balance at 1 July 2017		328,227	589	328,816
<b>Total Equity at 1 July 2017</b>		<b>328,227</b>	<b>589</b>	<b>328,816</b>
Net Result for the year		(10,600)	-----	(10,600)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-----	(125)	(125)
<b>Total Other Comprehensive Income</b>		<b>-----</b>	<b>(125)</b>	<b>(125)</b>
<b>Total Comprehensive Income for the year</b>		<b>(10,600)</b>	<b>(125)</b>	<b>(10,725)</b>
Balance at 30 June 2018		<b>317,627</b>	<b>464</b>	<b>318,091</b>
Balance at 1 July 2016		337,525	589	338,114
<b>Total Equity at 1 July 2016</b>		<b>337,525</b>	<b>589</b>	<b>338,114</b>
Net Result for the year		(9,298)	-----	(9,298)
Other Comprehensive Income				
<b>Total Other Comprehensive Income</b>		<b>-----</b>	<b>-----</b>	<b>-----</b>
<b>Total Comprehensive Income for the year</b>		<b>(9,298)</b>	<b>-----</b>	<b>(9,298)</b>
Balance at 30 June 2017		<b>328,227</b>	<b>589</b>	<b>328,816</b>

The accompanying notes form part of these financial statements.



Southern 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>						
-----	-----	-----	Employee Related	(245,608)	(246,015)	(230,868)
(173,361)	(168,516)	(162,705)	Suppliers for Goods and Services	(173,361)	(168,516)	(162,705)
(955)	(793)	(716)	Grants and Subsidies	(955)	(793)	(716)
(245,608)	(246,015)	(230,868)	Other	-----	-----	-----
<u>(419,924)</u>	<u>(415,324)</u>	<u>(394,289)</u>	<b>Total Payments</b>	<u>(419,924)</u>	<u>(415,324)</u>	<u>(394,289)</u>
<b>Receipts</b>						
343,874	338,702	320,108	NSW Ministry of Health Recurrent Allocations	343,874	338,702	320,108
11,143	12,262	8,371	NSW Ministry of Health Capital Allocations	11,143	12,262	8,371
5,148	5,148	4,417	Reimbursements from the Crown Entity	5,148	5,148	4,417
47,920	49,926	47,275	Sale of Goods and Services	47,920	49,926	47,275
90	112	88	Interest Received	90	112	88
7,898	8,358	7,476	Grants and Other Contributions	7,898	8,358	7,476
16,396	14,872	16,335	Other	16,396	14,872	16,335
<u>432,469</u>	<u>429,380</u>	<u>404,070</u>	<b>Total Receipts</b>	<u>432,469</u>	<u>429,380</u>	<u>404,070</u>
<u>12,545</u>	<u>14,056</u>	<u>9,781</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>12,545</u>	<u>14,056</u>	<u>9,781</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
270	-----	5	Proceeds from Sale of Property, Plant & Equipment	270	-----	5
(15,384)	(17,052)	(8,356)	Purchases of Property, Plant & Equipment	(15,384)	(17,052)	(8,356)
<u>(15,114)</u>	<u>(17,052)</u>	<u>(8,351)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(15,114)</u>	<u>(17,052)</u>	<u>(8,351)</u>
(2,569)	(2,996)	1,430	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,569)	(2,996)	1,430
8,696	8,696	7,266	Opening Cash and Cash Equivalents	8,696	8,696	7,266
<u>6,127</u>	<u>5,700</u>	<u>8,696</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>6,127</u>	<u>5,700</u>	<u>8,696</u>

The accompanying notes form part of these financial statements.

Southern 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 Southern 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 20), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Southern 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 Chief Executive on 4 September 2018.

**b) Basis of Preparation**

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

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

The Secretary of NSW Health, the Chair of the Southern 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, except those shown within text, are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

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

**ii) Long Service Leave and Superannuation**

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 22.

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

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

**iii) Consequential On-Costs**

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

**iv) Other Provisions**

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

**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.

Southern 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**

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.

*Use of Hospital Facilities*

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

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

Refer to Note 7 (b) for further details.

Southern 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**

*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.

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.

Southern 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
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- Computer Equipment	20%	20%
- Electro Medical Equipment		
* Costing less than \$200,000	10%	10%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5%	5%
- Linen	25%	25%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20%	20%
- Office Equipment	10%	10%
- Plant and Machinery	10%	10%

"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 17 and Note 19 for further information regarding fair value.

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

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

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

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

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

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

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

Southern 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**

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

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

**s) Maintenance**

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

**t) Leased Assets**

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

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

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

**u) Inventories**

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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

**v) Loans and Receivables**

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

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

Southern 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**

**w) Impairment of Financial Assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

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

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

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

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

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

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

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

**y) Payables**

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

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

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

**z) Fair Value Hierarchy**

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

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

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

Refer to Note 19 and Note 32 for further disclosures regarding fair value measurements of non-financial and financial assets.



Southern 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**

aa) **Equity and Reserves**

(i) **Accumulated Funds**

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

(ii) **Revaluation Surplus**

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

ab) **Trust Funds**

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

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

ac) **Adjusted Budget Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The District's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial 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 31.

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

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

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

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows.

(ii) Issued but not yet effective

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

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

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

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key 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.

Southern 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**

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.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>2. Employee Related Expenses</b>		
----	----	Salaries and Wages (including annual leave and ADO)	220,386	208,413
----	----	Superannuation - Defined Benefit Plans	1,958	2,231
----	----	Superannuation - Defined Contribution Plans	19,231	18,071
----	----	Long Service Leave	7,443	2,486
----	----	Redundancies	1,112	180
----	----	Workers' Compensation Insurance	1,940	1,861
----	----	Fringe Benefits Tax	4	23
-----	-----		-----	-----
-----	-----		<b>252,074</b>	<b>233,265</b>
-----	-----		-----	-----
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Land and Buildings	163	175
----	----	Employee Related Expenses Capitalised - Plant and Equipment	83	44
-----	-----		-----	-----
-----	-----		<b>246</b>	<b>219</b>
-----	-----		-----	-----
		<b>3. Personnel Services</b>		
220,386	208,413	Salaries and Wages	----	----
19,231	18,071	Superannuation - Defined Contribution Plans	----	----
596	(169)	Long Service Leave	----	----
1,112	180	Redundancies	----	----
1,940	1,861	Workers' Compensation Insurance	----	----
4	23	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>243,269</b>	<b>228,379</b>		-----	-----
-----	-----		-----	-----
		Personnel services of Southern NSW Local Health District was provided by its controlled entity, Southern NSW Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
163	175	Personnel Services Expenses Capitalised - Land and Buildings	----	----
83	44	Personnel Services Expenses Capitalised - Plant and Equipment	----	----

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
94	208	Advertising	94	208
97	95	Auditor's Remuneration - Audit of Financial Statements	97	95
1,623	1,568	Blood and Blood Products	1,623	1,568
746	267	Consultancies	746	267
442	203	Contractors	442	203
12,651	11,270	Domestic Supplies and Services	12,651	11,270
8,354	6,890	Drug Supplies	8,354	6,890
9,495	8,738	Food Supplies	9,495	8,738
3,773	3,163	Fuel, Light and Power	3,773	3,163
9,951	9,364	Patient Transport Costs	9,951	9,364
7,323	7,446	Information Management Expenses	7,323	7,446
478	490	Insurance	478	490
8,245	7,790	Maintenance (See 4(b) below)	8,245	7,790
15,147	14,258	Medical and Surgical Supplies	15,147	14,258
1,154	1,103	Motor Vehicle Expenses	1,154	1,103
1,069	1,055	Postal and Telephone Costs	1,069	1,055
711	765	Printing and Stationery	711	765
714	769	Rates and Charges	714	769
1,533	1,301	Rental	1,533	1,301
1,138	1,232	Hosted Services Purchased from entities controlled by the immediate parent	1,138	1,232
17,442	16,481	Specialised Services (Dental, Radiology, Pathology, Allied Health and Dialysis )	17,442	16,481
5,031	5,083	Staff Related Costs	5,031	5,083
4,377	4,342	Travel Related Costs	4,377	4,342
14,839	12,643	Other (See 4(a) below)	14,839	12,643
<b><u>126,427</u></b>	<b><u>116,524</u></b>		<b><u>126,427</u></b>	<b><u>116,524</u></b>

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>4. Other Expenses</b>		
		<b>a) Other Includes:</b>		
856	701	Contract for Patient Services	856	701
4,284	4,452	Corporate Support Services	4,284	4,452
393	362	Courier and Freight	393	362
2,042	2,026	Isolated Patient Travel and Accommodation Assistance Scheme	2,042	2,026
62	82	Legal Services	62	82
62	139	Membership/Professional Fees	62	139
1,531	1,576	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,531	1,576
449	436	Other Operating Lease Expense - Minimum Lease Payments	449	436
6	6	Quality Assurance/Accreditation	6	6
1,078	1,393	Security Services	1,078	1,393
4,076	1,470	Other Miscellaneous	4,076	1,470
<u>14,839</u>	<u>12,643</u>		<u>14,839</u>	<u>12,643</u>
		<b>b) Reconciliation of Total Maintenance</b>		
2,475	2,157	Maintenance Contracts	2,475	2,157
3,082	3,110	New/Replacement Equipment under \$10,000	3,082	3,110
2,680	2,454	Repairs Maintenance/Non Contract	2,680	2,454
8	69	Other	8	69
8,245	7,790	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	8,245	7,790
1,408	1,236	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	1,408	1,236
<u>9,653</u>	<u>9,026</u>		<u>9,653</u>	<u>9,026</u>

The majority of 'Advertising' was paid to the immediate parent and some 'Advertising' was paid to the Public Service Commission, an entity controlled by the ultimate parent.

The majority of 'Blood and Blood Products' was paid to the immediate parent.

'Hosted Services Purchased from entities controlled by the immediate parent' were paid to Murrumbidgee Local Health District, an entity controlled by the immediate parent.

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

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

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

The majority of '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.

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

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

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
11,524	10,866	Depreciation - Buildings	11,524	10,866
4,274	4,195	Depreciation - Plant and Equipment	4,274	4,195
507	502	Depreciation - Infrastructure Systems	507	502
<hr/>	<hr/>		<hr/>	<hr/>
<b>16,305</b>	<b>15,563</b>		<b>16,305</b>	<b>15,563</b>
<b>6. Grants and Subsidies</b>				
101	494	Grants paid to entities controlled by the immediate parent	101	494
764	538	Other Grants	764	538
<hr/>	<hr/>		<hr/>	<hr/>
<b>865</b>	<b>1,032</b>		<b>865</b>	<b>1,032</b>

The majority of 'Grants paid to entities controlled by the immediate parent' was paid to the Health Education and Training Institute which is an entity controlled by the immediate parent.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>7. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
4	2	Pharmacy Sales	4	2
535	521	Sale of Prosthesis	535	521
1	3	Other	1	3
b) Rendering of Services comprise the following:-				
		Patient Fees		
17,727	17,125	- Inpatient Fees	17,727	17,125
896	1,008	- Nursing Home Fees	896	1,008
1,154	923	- Non Inpatient Fees	1,154	923
8,713	8,917	Department of Veterans' Affairs	8,713	8,917
179	154	Staff-Meals and Accommodation	179	154
1,779	1,331	Infrastructure Fees - Monthly Facility Charge	1,779	1,331
-----	1	Car Parking	-----	1
5,167	4,517	Clinical Services (excluding Clinical Drug Trials)	5,167	4,517
107	79	Commercial Activities	107	79
31	24	Fees for Medical Records	31	24
15	22	Information Retrieval	15	22
2,968	2,499	Highly Specialised Drugs	2,968	2,499
1,814	1,757	Motor Accident Authority Third Party	1,814	1,757
62	27	Patient Transport Fees	62	27
61	56	Private Use of Motor Vehicles	61	56
180	181	Salary Packaging Fee	180	181
4,807	4,483	Hosted Services Provided to entities controlled by immediate parent	4,807	4,483
236	151	Services Provided to Non NSW Health Organisations	236	151
2,304	2,218	Multi Purpose Service Centre Fees	2,304	2,218
154	203	Other	154	203
<hr/>	<hr/>		<hr/>	<hr/>
<b>48,894</b>	<b>46,202</b>		<b>48,894</b>	<b>46,202</b>
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

"Hosted Services Provided to entities controlled by the immediate parent" were provided to Murrumbidgee Local Health District, an entity controlled by the immediate parent.

Some 'Patient Transport Fees' revenue was earned from the Health Administration Corporation, an entity controlled by the immediate parent.

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

90	88	Interest	90	88
<hr/>	<hr/>		<hr/>	<hr/>
<b>90</b>	<b>88</b>		<b>90</b>	<b>88</b>
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>



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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>9. Grants and Other Contributions</b>				
3,008	2,979	Commonwealth Government Grants	3,008	2,979
2,020	911	Industry Contributions/Donations	2,020	911
726	658	Cancer Institute Grants	726	658
1,145	541	Grants & Contributions received from entities controlled by the ultimate parent	1,145	541
163	459	Grants & Contributions received from entities controlled by the immediate parent	163	459
1,454	1,681	Other Grants	1,454	1,681
<u>8,516</u>	<u>7,229</u>		<u>8,516</u>	<u>7,229</u>
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The majority of grants that were received from entities controlled by the ultimate parent were received from the Health Administration Corporation.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from the Health Education and Training Institute.</p>				
<b>10. Acceptance by the Crown Entity of Employee Benefits</b>				
The following liabilities and expenses have been assumed by the Crown				
-----	-----	Superannuation-defined benefit	1,958	2,231
-----	-----	Long Service Leave	6,847	2,655
<u>-----</u>	<u>-----</u>		<u>8,805</u>	<u>4,886</u>
<b>11. Other Income</b>				
Other Income comprises the following:-				
-----	8	Bad Debts Recovered	-----	8
4	5	Commissions	4	5
45	24	Conference and Training Fees	45	24
334	305	Insurance Refunds	334	305
378	339	Lease and Rental*	378	339
387	1,535	Treasury Managed Fund Hindsight Adjustment	387	1,535
70	218	Other	70	218
<u>1,218</u>	<u>2,434</u>		<u>1,218</u>	<u>2,434</u>

\*The majority of 'Lease and Rental' revenue was received from the Health Administration Corporation, an entity controlled by the ultimate parent.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>12. Gain / (Loss) on Disposal</b>		
372	339	Property, Plant and Equipment	372	339
<u>(277)</u>	<u>(319)</u>	Accumulated Depreciation	<u>(277)</u>	<u>(319)</u>
95	20	Written Down Value	95	20
70	5	Proceeds from Disposal	70	5
		<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>		
<u>(25)</u>	<u>(15)</u>		<u>(25)</u>	<u>(15)</u>
200	-----	Assets Held for Sale	200	-----
<u>200</u>	<u>-----</u>	Proceeds from Disposal	<u>200</u>	<u>-----</u>
		<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>		
<u>-----</u>	<u>-----</u>		<u>-----</u>	<u>-----</u>
<u>(25)</u>	<u>(15)</u>	Total Gain/(Loss) on Disposal	<u>(25)</u>	<u>(15)</u>
		<b>13. Other Gains / (Losses)</b>		
(3)	(32)	Impairment of Receivables	(3)	(32)
<u>(3)</u>	<u>(32)</u>		<u>(3)</u>	<u>(32)</u>

Southern 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>14. Cash and Cash Equivalents</b>				
<u>6,127</u>	<u>8,696</u>	Cash at Bank and On Hand	<u>6,127</u>	<u>8,696</u>
<b><u>6,127</u></b>	<b><u>8,696</u></b>		<b><u>6,127</u></b>	<b><u>8,696</u></b>

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

Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

<u>6,127</u>	<u>8,696</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>6,127</u>	<u>8,696</u>
<b><u>6,127</u></b>	<b><u>8,696</u></b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b><u>6,127</u></b>	<b><u>8,696</u></b>

Refer to Note 32 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>15. Receivables</b>				
<b>Current</b>				
4,255	3,071	Sale of Goods and Services	4,255	3,071
2,719	2,394	Intra Health Receivables	2,719	2,394
1,878	1,793	Goods and Services Tax	1,878	1,793
415	205	Other Debtors	415	205
<u>9,267</u>	<u>7,463</u>	<b>Sub Total</b>	<u>9,267</u>	<u>7,463</u>
<u>(35)</u>	<u>(58)</u>	Less Allowance for Impairment	<u>(35)</u>	<u>(58)</u>
9,232	7,405	<b>Sub Total</b>	9,232	7,405
521	471	Prepayments	521	471
<u>9,753</u>	<u>7,876</u>		<u>9,753</u>	<u>7,876</u>

Intra Health Receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from the Health Administration Corporation and Murrumbidgee Local Health District. There were also some receivables with the immediate parent, the Ministry of Health.

a) Movement in the Allowance for Impairment

Sale of Goods and Services				
(14)	(48)	Balance at Commencement of Reporting Period	(14)	(48)
15	20	Amounts written off during the year	15	20
(15)	14	(Increase)/decrease in Allowance Recognised in the Net Result	(15)	14
<u>(14)</u>	<u>(14)</u>	Balance at 30 June 2018	<u>(14)</u>	<u>(14)</u>

b) Movement in the Allowance for Impairment

Other Debtors				
(44)	-----	Balance at Commencement of Reporting Period	(44)	-----
7	2	Amounts written off during the year	7	2
12	(46)	(Increase)/decrease in Allowance Recognised in the Net Result	12	(46)
<u>(21)</u>	<u>(44)</u>	Balance at 30 June 2018	<u>(21)</u>	<u>(44)</u>
<u>(35)</u>	<u>(58)</u>		<u>(35)</u>	<u>(58)</u>

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>15. Receivables</b>		
		<b>Non-Current</b>		
		Prepayments		
192	253		192	253
<hr/>	<hr/>		<hr/>	<hr/>
<b>192</b>	<b>253</b>		<b>192</b>	<b>253</b>
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
246	136	Patient Fees - Compensable	246	136
41	78	Patient Fees - Ineligible	41	78
3,553	2,666	Patient Fees - Inpatient & Other	3,553	2,666
<hr/>	<hr/>		<hr/>	<hr/>
<b>3,840</b>	<b>2,880</b>		<b>3,840</b>	<b>2,880</b>
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 32.

Southern 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>16. Inventories</b>		
796	694	Drugs	796	694
53	60	Engineering Supplies	53	60
<b>849</b>	<b>754</b>		<b>849</b>	<b>754</b>
<b>849</b>	<b>754</b>		<b>849</b>	<b>754</b>

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>17. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
495,941	482,222	Gross Carrying Amount	495,941	482,222
176,836	165,311	Less: Accumulated Depreciation and Impairment	176,836	165,311
<u>319,105</u>	<u>316,911</u>	Net Carrying Amount	<u>319,105</u>	<u>316,911</u>
<b>Plant and Equipment - Fair Value*</b>				
46,157	43,615	Gross Carrying Amount	46,157	43,615
21,596	17,599	Less: Accumulated Depreciation and Impairment	21,596	17,599
<u>24,561</u>	<u>26,016</u>	Net Carrying Amount	<u>24,561</u>	<u>26,016</u>
<b>Infrastructure Systems - Fair Value</b>				
20,399	20,107	Gross Carrying Amount	20,399	20,107
4,533	4,026	Less: Accumulated Depreciation and Impairment	4,533	4,026
<u>15,866</u>	<u>16,081</u>	Net Carrying Amount	<u>15,866</u>	<u>16,081</u>
<u>359,532</u>	<u>359,008</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>359,532</u>	<u>359,008</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.

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

**PARENT & CONSOLIDATION**

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

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2018</b>				
Net carrying amount at start of year	316,910	26,016	16,081	359,007
Additions	13,194	2,914	292	16,400
Recognition of Assets Held for Sale	650	----	----	650
Disposals	----	(95)	----	(95)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(125)	----	----	(125)
Depreciation Expense	(11,524)	(4,274)	(507)	(16,305)
<b>Net carrying amount at end of year</b>	<b>319,105</b>	<b>24,561</b>	<b>15,866</b>	<b>359,532</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2017</b>				
Net carrying amount at start of year	322,333	27,594	16,583	366,510
Additions	5,444	2,912	----	8,356
Disposals	----	(20)	----	(20)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(275)	----	(275)
Depreciation Expense	(10,866)	(4,195)	(502)	(15,563)
<b>Net carrying amount at end of year</b>	<b>316,911</b>	<b>26,016</b>	<b>16,081</b>	<b>359,008</b>

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 1(i)].
- (ii) Indices provided by Egan National Valuers (ACT) were not applied as they were deemed immaterial.



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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>18. Non-Current Assets Held for Sale</b>				
		<b>Assets Held for Sale</b>		
-----	850	Land and Buildings	-----	850
-----	<b>850</b>		-----	<b>850</b>
<u>-----</u>	<u>850</u>		<u>-----</u>	<u>850</u>

Non-current assets (or disposal groups) 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 within the next twelve months.

Non-current assets previously held for sale included a portion of land which was sold during the year while the remaining land and buildings at 1 McKee Drive, Bega were re-classified as part of Property, Plant and Equipment as they no longer meet the requirements of AASB 5 to continue being recognised as 'held for sale'.

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

**PARENT & CONSOLIDATION**

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

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

**a) Fair Value Hierarchy**

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	1,634	150,455	152,089
- Infrastructure Systems	----	----	2,392	2,392
	-----	-----	-----	-----
	<u>-----</u>	<u>1,634</u>	<u>152,847</u>	<u>154,481</u>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 17.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	1,160	158,014	159,174
- Infrastructure Systems	----	----	2,545	2,545
Non-Current Assets Held for Sale (Note 18)	----	850	----	850
	-----	-----	-----	-----
	<u>-----</u>	<u>2,010</u>	<u>160,559</u>	<u>162,569</u>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 17.

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

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Egan National Valuers (ACT) for the FY2015/16 financial year. Egan National Valuers (ACT) 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.

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:

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

**PARENT & CONSOLIDATION**

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

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

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

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

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

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.

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

**PARENT & CONSOLIDATION**

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

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

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	158,014	2,545	160,559
Depreciation	(7,559)	(153)	(7,712)
Fair value as at 30 June 2018	<u>150,455</u>	<u>2,392</u>	<u>152,847</u>

There were no transfers between Level 1 or 2 during the periods

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	165,023	2,698	167,721
Depreciation	(7,009)	(153)	(7,162)
Fair value as at 30 June 2017	<u>158,014</u>	<u>2,545</u>	<u>160,559</u>

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

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

**PARENT & CONSOLIDATION**

**20. Restricted Assets**

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	74	10	13	77
Facility Improvements	1,425	451	824	1,798
Patient Welfare	102	18	8	92
Public Contributions	1,265	284	113	1,094
Research	59	----	1	60
Staff Welfare	15	1	1	15
Training and Education incl. Conferences	539	20	41	560
	<b>3,479</b>	<b>784</b>	<b>1,001</b>	<b>3,696</b>

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

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

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
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.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>21. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	7,027	6,403
----	----	Taxation and Payroll Deductions	824	784
7,851	7,187	Accrued Liability - Purchase of Personnel Services	----	----
11,701	9,260	Creditors	11,701	9,260
		Other Creditors		
231	555	- Capital Works	231	555
7,110	3,515	- Payables to entities controlled by the immediate parent	7,110	3,515
3,011	2,329	- Other	3,011	2,329
<u>29,904</u>	<u>22,846</u>		<u>29,904</u>	<u>22,846</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 32.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>22. Provisions</b>				
<b>Current</b>				
-----	-----	Annual Leave - Short Term Benefit	20,664	19,182
-----	-----	Annual Leave - Long Term Benefit	1,980	1,888
-----	-----	Long Service Leave Consequential On-Costs	4,481	3,932
-----	-----	Provision for Other Employee Benefits*	470	285
27,595	25,287	Provision for Personnel Services Liability	-----	-----
<u>27,595</u>	<u>25,287</u>		<u>27,595</u>	<u>25,287</u>
*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.				
<b>Non-Current</b>				
-----	-----	Long Service Leave Consequential On-Costs	390	342
390	342	Provision for Personnel Services Liability	-----	-----
<u>390</u>	<u>342</u>		<u>390</u>	<u>342</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
-----	-----	Provisions - Current	27,595	25,287
-----	-----	Provisions - Non-Current	390	342
-----	-----	Accrued Salaries, Wages and On-Costs (Note 21)	7,851	7,187
35,836	32,816	Liability - Purchase of Personnel Services	-----	-----
<u>35,836</u>	<u>32,816</u>		<u>35,836</u>	<u>32,816</u>
<b>23. Other Liabilities</b>				
<b>Current</b>				
473	146	Income in Advance	473	146
<u>473</u>	<u>146</u>		<u>473</u>	<u>146</u>

As at 30 June 2018 the District had received the following income prior to the services/activities being provided/achieved:-  
Motor Accident Authority (MAA Patients) \$24 thousand,  
Transitional Aged Care Program (TACP Patients) \$292 thousand,  
Coordinare GPLO \$104 thousand, PBRC \$31 thousand and the Snowy Hydro Grant \$22 thousand.

Southern 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>24. Commitments for Expenditure</b>				
a) <b>Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
13,593	3,478	Within one year	13,593	3,478
4,250	1,053	Later than one year and not later than five years	4,250	1,053
<u>17,843</u>	<u>4,531</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>17,843</u>	<u>4,531</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) <b>Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
1,874	1,732	Within one year	1,874	1,732
1,527	1,208	Later than one year and not later than five years	1,527	1,208
<u>3,401</u>	<u>2,940</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>3,401</u>	<u>2,940</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) <b>Contingent Asset Related to Commitments for Expenditure</b>				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$21.243M million as at 30 June 2018 includes input tax credits of 1.886M that are expected to be recoverable from the Australian Taxation Office (2017 0.663M).				



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

**PARENT & CONSOLIDATION**

**25. Trust Funds**

The District holds trust funds of \$434 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	147	149	169	74	316	223
Revenue	20	15	472	126	492	141
Expenses	(16)	(17)	(358)	(31)	(374)	(48)
Balance at the end of the financial year	<b>151</b>	<b>147</b>	<b>283</b>	<b>169</b>	<b>434</b>	<b>316</b>

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

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

<b>Category</b>	<b>Purpose</b>
Patient Trust	The safe custody of patients' valuables including monies.
Third Party Funds	groups and auxiliaries.

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

**PARENT AND CONSOLIDATED**

**26. Contingent Liabilities and Assets**

**a) Other Contingent Liabilities and Assets**

As at the 30th of June 2018 there are no known other contingent liabilities and assets.

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

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>27. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
12,545	9,781	Net Cash Flows from Operating Activities	12,545	9,781
(16,305)	(15,563)	Depreciation and Amortisation	(16,305)	(15,563)
(3)	(32)	Impairment of Receivables	(3)	(32)
(326)	707	(Increase)/ Decrease Income in Advance	(326)	707
(2,357)	(68)	(Increase)/ Decrease in Provisions	(2,357)	(68)
2,001	(1,537)	Increase / (Decrease) in Prepayments and Other Assets	2,001	(1,537)
(7,147)	(2,297)	(Increase)/ Decrease in Payables from Operating Activities	(7,147)	(2,297)
(25)	(15)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(25)	(15)
1,017	(274)	Assets donated or brought to account for the first time	1,017	(274)
<u>(10,600)</u>	<u>(9,298)</u>	<b>Net Result</b>	<u>(10,600)</u>	<u>(9,298)</u>
<b>28. Non-Cash Financing and Investing Activities</b>				
<u>1,017</u>	<u>(275)</u>	Assets Received by Donation	<u>1,017</u>	<u>(275)</u>
<u>1,017</u>	<u>(275)</u>		<u>1,017</u>	<u>(275)</u>

**29. 2017/18 Voluntary Services**

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

- Chaplaincies and Pastoral Care
- Patient & Family Support
- Pink Ladies/Hospital Auxiliaries
- Patient Services, Fund Raising
- Patient Support Groups
- Practical Support to Patients and Relatives
- Community Organisations
- Counselling, Health Education, Transport, Home Help & Patient Activities

**30. 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.

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

**PARENT AND CONSOLIDATION**

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

The variance between the NSW Ministry of Health Recurrent Allocation actuals and Adjusted Budget is \$5.2 million being the value of cash assistance received to meet short term cash commitments. Cash assistance was required as a result of the poor operating result being \$8 million unfavourable to budget.

**Net Result**

The actual Net Result was lower than adjusted budget by \$8 million, primarily due to:

	Favourable (Unfavourable)
	\$000
<b>Expenses</b>	
Employee Related	(1,149)
Visiting Medical Officers	(5,914)
Other Operating Expenses	(3,304)
Depreciation and Amortisation	39
Repairs, maintenance and new and replacement items less than \$10 thousand	(1,779)
Grants and Subsidies	(163)
Total Expenditure unfavourable variance to budget	(12,270)
<b>Revenue</b>	
NSW Ministry of Health Recurrent Allocations	5,173
NSW Ministry of Health Capital Allocations	(1,118)
Acceptance by the Crown Entity of Employee Benefits	(52)
Sale of Goods and Services	(313)
Investment Revenue	(22)
Grants and Contributions	(461)
Other Revenue	1,191
Gain / (Loss) on Disposal	(25)
Other Gains / (Losses)	32
Total Revenue favourable variance to budget	4,405
<b>Net Result</b>	(7,865)

The actual Net Result was lower than the adjusted budget by \$8 million, primarily due to:

**Assets and Liabilities**

Total Assets were above budget by \$322 thousand largely due to an increase in Land and Buildings being \$3,676 thousand higher than budget. Contributing to this increase is the receiving of a donated asset and capitalisation of capital projects. Receivables were \$1,857 thousand higher than budget driven by higher patient fee revenue and an increase in Intrahealth debtors. Total liabilities were higher than budget by \$8,311 thousand mainly as a result of an increase in the current Payables of \$6,735 thousand due to unbudgeted expenditure in Goods and Services over the year.

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

**PARENT AND CONSOLIDATION**

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

**Cash Flows**

Net cash flows from operating activities were \$1,511 thousand lower than budget. Payments to suppliers for goods and services exceeded budget by \$4,845 thousand. Total receipts from operating activities were \$3,089 thousand higher than budget, which was mostly attributable to having received \$5,151 thousand in cash assistance through recurrent allocations offset by lower than budget Sale of Goods and Services. Investment activity cash outflows were \$1,668 thousand lower than budgeted during the year, mainly due to timing differences.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation of \$328,797 thousand are as follows:

	<b>\$000</b>
Initial Allocation	328,797
External Wall Cladding Rectification Works - Queanbeyan Hospital	2,576
Isolated Patients Travel and Accommodation Assistance Scheme IPTAAS	739
FY18 Voluntary Redundancies	933
Winter 2017 Activity	773
Nurse Midwife Strategy Reserve	843
Additional 10 FTE Administrative Support Positions SERH	492
Obstetric and Anaesthetic Incentive Grants	486
NSW Rural Generalist Training and General Practitioner Procedural Training	362
VMO Fees for Services 2.5% rate increase	272
NSW Mental Health Reform funding 2017-18	191
Community Services & Integrated Care	1,045
Other Initiatives	1,191
Balance as per Statement of Comprehensive Income	<u><u>338,700</u></u>

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

**32. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT AND CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount	
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 14)	N/A	6,127	8,696
Receivables (note 15)*	Loans and receivables (at amortised cost)	7,354	5,612
		13,481	14,308
<b>Financial Liabilities</b>			
Payables (note 21)**	Financial liabilities measured at amortised cost	29,080	22,062
		29,080	22,062

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).

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

## 32. Financial Instruments

### (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.

#### Cash

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

#### 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.

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

32. Financial Instruments

	2018	2017
	\$000	\$000
Neither past due nor impaired	6,848	5,299
Past due but not impaired <sup>1,2</sup>		
< 3 months overdue	342	193
3 - 6 months overdue	114	48
> 6 months overdue	50	72
Impaired <sup>1,2</sup>		
3 - 6 months overdue	4	3
> 6 months overdue	31	55
<b>Total<sup>1,2</sup></b>	<b>7,389</b>	<b>5,670</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.

**(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.



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

32. 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 cash and cash equivalents. 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 cash and cash equivalents.

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	6,127	(61)	(61)	61	61
Receivables	7,354	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	29,080	----	----	----	----
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	8,696	(87)	(87)	87	87
Receivables	5,612	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	22,062	----	----	----	----

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

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

32. 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>	29,080	----	----	29,080	29,080	----	----
	<u>29,080</u>	<u>----</u>	<u>----</u>	<u>29,080</u>	<u>29,080</u>	<u>----</u>	<u>----</u>
<b>2017</b>							
Payables:							
- Creditors <sup>2</sup>	22,062	----	----	22,062	22,062	----	----
	<u>22,062</u>	<u>----</u>	<u>----</u>	<u>22,062</u>	<u>22,062</u>	<u>----</u>	<u>----</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the 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 AASB 7 Financial Instruments Disclosures).

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

**33. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	875	1,152
Post-employment benefits	43	46
	<u>918</u>	<u>1,198</u>

During the financial year, Southern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$623 thousand (2017: \$ 332 thousand) 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 beside those disclosed above (2017: \$Nil).

**Transactions with ultimate parent**

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

**34. Events After the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**

